2018 Annual Report

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The 2018 Annual Report is available on the corporate website at: www.exor.com

Communications & Media Relations
Tel. +31(0) 20 240 2 221
media@exor.com

Institutional Investors and Financial Analysts Relations
Tel. +31(0) 20 240 2 222
ir@exor.com

Dear Shareholders,

I would like to start this year's letter by remembering Sergio Marchionne who sadly left us far too early last summer.

Sergio was an incredible man and an extraordinary leader. He first crossed our path in 2001 when he was appointed as a board member and then CEO of SGS, which was then one of our companies. But it was when he agreed to become CEO of FIAT in 2004 – after a long dinner and a couple of "grappas" – that he became an integral part of all our lives and of mine in particular.

The journey we started together when Sergio took over FIAT, which was losing €5 million a day, led us to places we could not have imagined in our wildest dreams - from the turnaround of FIAT to the rescue of Chrysler, the creation of CNH Industrial, the foundation of FCA and the IPO of Ferrari. What used to be a troubled Italian Industrial conglomerate with an illustrious past became, under Sergio's leadership, three separate companies, all global leaders in their respective industries, with great futures ahead of them.

The financial side of this story is simply told. Total shareholder return from June 1st 2004 to July 20th 2018 was ~590%. In other words, if you had invested €6.0 when Sergio first became CEO, it would have become €41.4.

But as well as delivering these outstanding financial returns, Sergio also saved the livelihoods of many of the women and men working in these companies and restored to them, and their communities, pride and a future. For me that is an important part of Sergio's legacy - he showed us that with a great business leader financial results come hand in hand with benefits for all the stakeholders in a company.

I shared with my colleagues in FCA the attached letter: (https://www.fcagroup.com/en-US/SupportFiles/Documents/FCA_Letter_to_Employees/letter.html) which describes both how much Sergio did and how much he gave us. As Sergio once said: "The value we bring to anything is best measured by what remains after we have gone. It is measured by what we have changed for the better. It lives on in those we have helped grow."
Sergio bequeathed to us a culture of "high" performance. "Mediocrity is never worth the trip," he said. It is about setting high standards and being accountable for reaching them, something that he did with tenacity.

But Sergio did more than this. He combined his rationality with emotionality and was able to be both strategic and operational, tough but caring and serious with a smile. Francis Scott Fitzgerald once wrote that, “the test of a first-rate intelligence is the ability to hold two opposed ideas in mind at the same time and still retain the ability to function.” If this is the test, then Sergio met and exceeded it.

Thank you, Sergio

NET ASSET VALUE

In 2018, EXOR's Net Asset Value per share in dollars, or NAV per share, declined by 13.6%, which underperformed by 3.2p.p. our benchmark, the MSCI World Index, denominated in dollars.

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

Annual percentage change			
Year	1 - EXOR NAV per share in US$	2 - MSCI World Index in US$	Relative results (1-2)
2009	113.2	55.6	57.6
2010	33.7	9.6	24.1
2011	(26.2)	(7.6)	(18.6)
2012	21.6	13.2	8.4
2013	21.0	24.1	(3.1)
2014	0.8	2.9	(2.1)
2015	8.4	(2.7)	11.1
2016	9.6	5.3	4.3
2017	56.9	20.1	36.8
2018	(13.6)	(10.4)	(3.2)
Compounded annual rate	**17.8**	**9.8**	**8.0**

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

This was an unusual year when more asset classes had negative returns than has happened since 1901, with CNH Industrial and FCA particularly affected by the decrease that took place in the valuation of their sectors.

US$ million	31/12/2017	31/12/2018	Change vs 31/12/2017	
			Amount	%
Investments	26,550	**23,272**	(3,278)	-12.3%
Others	343	**501**	158	+46.1%
Gross Asset Value	26,893	**23,773**	(3,120)	-11.6%
Gross Debt	(3,921)	**(4,033)**	(112)	+2.9%
Net Asset Value (NAV)	22,972	**19,740**	(3,232)	-14.1%
NAV per Share ($)	95.32	**82.33**	(13)	-13.6%

INVESTMENTS (97.9% of GAV)

I would like to start by sharing some thoughts on the three companies in which Sergio was involved, which together represent ~60% of our Gross Asset Value (GAV). In 2018, all three achieved record earnings, which is a tribute both to Sergio's legacy and to their new leaders, Mike Manley at FCA, Louis Camilleri at Ferrari and Hubertus Mühlhäuser at CNH Industrial, who are all determined to continue to build these great companies.

FCA, which is the largest of the three in terms of Gross Asset Value, achieved ~€5 billion of adjusted Net Profit in 2018 and a net cash position of €1.9 billion, thanks to very strong Industrial Free Cash Flow of €4.3 billion. For the first time in nearly ten years, FCA will distribute an annual ordinary dividend, worth €1 billion.

The US made the biggest contribution to these results, with FCA increasing its market share to 12.6%, with Jeep and RAM performing particularly strongly in the pick-up and SUV segments. LATAM was also able to more than double its profit despite the political and economic uncertainties in Argentina and Brazil.

FCA's other two regions, APAC and EMEA, were more challenging due to trade and regulatory uncertainties. This impacted 2018 results and will continue to be a factor in 2019. Mike, who ran with huge success FCA's Jeep and RAM brands, which together represent the largest part of the company, is attacking these issues with his usual determination while strengthening the organization, appointing great leaders from within the company and from outside.

In addition to achieving its best ever results, FCA announced the sale of Magneti Marelli to Calsonic Kansei for €6.2 billion, a transaction which is expected to close in Q2 of 2019. Magneti Marelli has been on a very successful journey since Ercole Marelli and FIAT founded it together in 1919. A company that started as a "magnetos and electrical component" business has transformed itself into a major supplier of "cartronics" with very strong capabilities in lighting, electronics and hybrid & electric systems.

On a personal level, having started my career interning, while studying engineering, in the lighting division of Magneti Marelli, learning about "lean production" and "Kaizen" (continuous improvement), and as a business owner, I have been determined to ensure a strong future for the company and its employees. I am therefore delighted that this opportunity has been secured for Magneti Marelli to become, by combining with Calsonic Kansei, one of the world's largest independent automotive suppliers with ~$15 billion in sales.

* * *

Ferrari also achieved a record year in 2018 delivering 9,251 cars generating €3.4 billion in revenue, an adjusted EBITDA of €1.1 billion and an EBIT of €825 million.

I am very grateful to Louis Camilleri, Ferrari's Senior Independent Director, who returned from semi-retirement following a very successful career leading Kraft, Altria and PMI, to become the CEO of Ferrari. Louis brings a wealth of experience and wisdom to Ferrari and worked very hard throughout the summer with the leadership team to prepare an ambitious plan presented last September to expand the product line with 15 new models and he is now working even harder to make it happen.

Five of these new models will be launched in 2019 across the four product pillars: traditional sports/performance cars, the more classical GT (Gran Turismo), special/limited series and the Iconas which started their life with the launch of the Ferrari Monza SP1 and SP2.

We manage the growth of Ferrari very carefully by launching very selectively new and unique cars that complement our existing range of the most beautiful and high performing vehicles in the world. This approach has made Ferrari a leading luxury brand with a financial performance that is amongst the very strongest in its industry.

On the motorsport front, Scuderia Ferrari had its most successful season of the last decade, although this was not enough to win the championships. Enzo Ferrari was very clear in saying "no one remembers who took second place and that will never be me," and that mindset will continue to define our sporting ambition.

* * *

CNH Industrial has also had a record year, delivering revenues of ~$30 billion, adjusted EBIT of $2.1 billion and adjusted net income of $1.1 billion, while generating free cash flow, which allowed it to reduce its debt and improve its rating. Hubertus Mühlhäuser is off to a very strong start in his role as CEO and his professional background in the capital goods industry will serve the company well.

Importantly, Hubertus has set about simplifying the organizational structure of a company of 65,000 employees, 66 plants and 54 R & D centers which launched 50 new products in 2018. This new structure is leaner and will reinforce CNH Industrial's customer centricity and its entrepreneurial culture.

Hubertus and his leadership team are excited about CNH Industrial's future and are preparing to present their strategic plan at a Capital Markets Day later this year.

* * *

Our largest ever investment by value, PartnerRe, turned 25 years old in 2018 in good shape despite this being the fourth costliest cat year on record for the insurance industry following 2017, which was the costliest year ever. The company responded to this by improving its efficiency, taking $120 million out of its operating expenses (a 27% reduction on its 2015 cost base), and investing in its Life & Health business, which will increase the diversity and stability of its profit streams. Part of this was the successful integration of the acquisition of Aurigen, a Canadian Life reinsurance company.
Emmanuel Clarke continued to strengthen his leadership team with Nikhil Srinivasan joining as Chief Investment Officer, bringing valuable experience to a very important part of the business, alongside James Beedle, Philippe Meyenhofer and Greg Haft who were internally promoted to lead our Specialty and Property & Casualty businesses. I am also very grateful to Brian Dowd who has taken over from me as the Chair of PartnerRe, bringing his considerable knowledge of the industry to bear in this new role, expertise he had already been applying to great effect as an independent director.

This year has been one of considerable change within the industry with some notable transactions including AIG's acquisition of Validus and AXA's purchase of XL. The excellent news from our perspective is that the valuations revealed by these transactions are significantly higher than those applying when we acquired PartnerRe.

* * *

Across all our companies, this has been a year of leadership transition. This includes the Economist where we have recently welcomed a new Chair, Paul Deighton, and are in the process of recruiting a new CEO, and Juventus, which has gone through a large reorganization, promoting a new generation of leaders from within, while at the same time acquiring the best player in the world, Cristiano Ronaldo.

The importance of careful succession planning, most painfully demonstrated by our sudden loss of Sergio, has made me focus even more on ensuring that we have the strongest possible governance in place across all of our companies.

My great great grand-father apparently said that a board should be made up of uneven numbers – and three was too many – but he, of course, was a founder and founders have their own ways with corporate governance.

I do, however, believe that my great great grand-father was right that small boards, made up of uneven numbers, provide strong governance. We will aim to keep the boards of our public companies at between 9 to 11 directors, and to make the boards of our privately held companies even smaller, with 5 to 7 members. Across all our boards we will have a majority of independent directors because they act as truth tellers both to us and to our businesses. We will aim for less frequent boards, gathering for four or five substantive meetings each year, but providing an opportunity for directors to spend extensive time with the company's leadership team and their high potential colleagues.

We prefer to keep the roles of Chair and CEO separate within our operating companies as we believe that this creates the space for healthy challenge and support. Within our leadership team at EXOR, we have one person who has the lead responsibility for each of our companies. In some cases, this person will also take on the role of Chair, though never the role of CEO.

One of the critical responsibilities for our EXOR leads, whatever formal role they play, is to make sure that each Board spends time on succession planning to keep us ready for both the expected and unexpected.

In EXOR we have reduced the size of the Board over the last decade from 17 to 9, while increasing the number of its independent directors from a quarter to more than a half, moving from having no women directors to a third, and increasing the Board's diversity. Our Board is now leaner, but it brings together very different and complimentary skills, and we are extremely grateful to both our current directors and to their predecessors for all of their constructive dialogue and challenges to our thinking.

I strongly believe that, in addition to choosing the right CEOs for our companies, selecting the right directors for our boards and putting in place a clear and simple governance process that allows them to operate effectively, is one of the most important ways in which we can make a difference to how our companies work and ultimately to how they perform. We will continue to evaluate and improve our governance framework, while ensuring that we don't become bureaucratic, complacent and rigid in the process.

OTHERS (2.1% of GAV)

In 2018 we started deploying part of our cash and cash equivalents, which have now grown to $306 million, into the equity portfolio that we manage for PartnerRe. At the end of March 2019, this investment portfolio has delivered a gross return of 56.2% in USD since its inception in 2017, and, in the period since EXOR also started investing, a gross return of 37.3%. The performance of MSCI World Total Return Index in those periods was 19.4% and 1.7% respectively. The portfolio is concentrated, with the two largest positions representing about 60% of the invested amount.

As I mentioned in last year's letter, our largest holding within this equity portfolio is Ocado. We have been invested in Ocado, a UK-based technology company focused on food e-commerce, since the beginning of 2017. From its origins as an online grocery provider, Ocado has transformed its business to focus on licensing its technology to other food retailers looking to enter or grow their ecommerce business.

Since Amazon's acquisition of Whole Foods in the summer of 2017, the pace and size of Ocado's licensing deals has materially increased. In particular, in May 2018, Ocado announced an agreement to provide its technology solution to Kroger, the largest supermarket chain in the US. This deal significantly accelerates Ocado's growth trajectory, with plans to open close to ten automated warehouses per year versus a run-rate of less than one a year previously.

On the back of this and previous partnership announcements, the shares have performed strongly and are up over 4x since our initial investment. However, we believe there is still significant opportunity for further growth as food retailing is a very large market, equating to approximately 50% of total retail spend, or $2 trillion globally, and the channel shift to online is still in its early stages and accelerating.

Our second largest position is in South African Platinum Mines. South Africa supplies 60% of the world's platinum, an essential metal used in catalysts for the automotive and chemical industries, as well as in jewellery manufacturing. Platinum miners are trading at historic lows following a period of oversupply and depressed metal prices. The enterprise value for the listed sector has therefore declined from over $20 billion in 2011 to less than $2 billion in 2018.

However, with platinum prices having languished for several years well below the levels required to justify building new mines, supply has declined while demand has grown. Combined platinum / palladium markets are now in deficit and inventories are shrinking rapidly. With no new significant mines planned, undersupply is expected to become more acute over the next few years. We therefore expect prices to recover, driving a sharp recovery in profits and valuations for the sector.
The industry is also undergoing consolidation. Sibanye-Stillwater, our largest investment in the sector, has led the process, announcing the acquisition of Lonmin. This transaction will deliver significant cost savings, through the optimization of mine plans and by increasing the capacity utilization of downstream refining assets and should therefore be highly accretive.

* * *

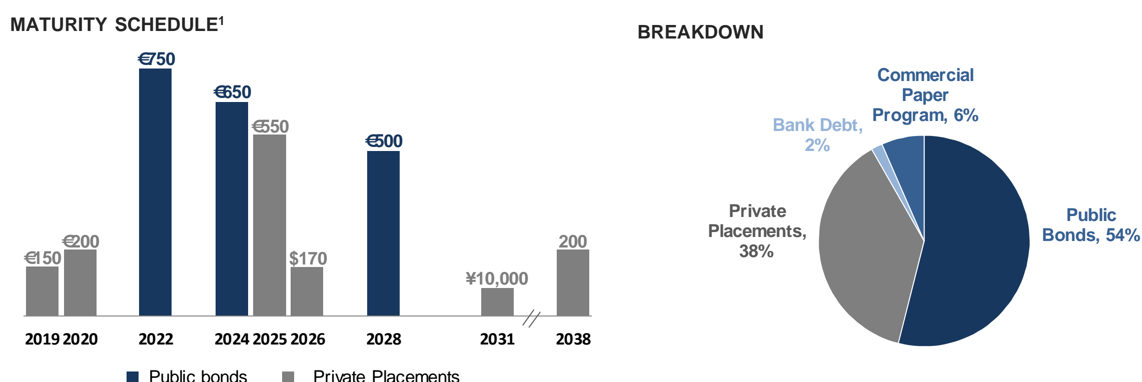
Given the discount at which our shares were trading back in November 2018 (around 36%, well above its 5 year average), we decided to allocate €300 million of our cash resources - corresponding to 50% of the extraordinary dividend to be distributed by FCA on the back of the Magneti Marelli transaction – to share buybacks.

We will continue to do buybacks for extraordinary distributions if we think that this is an appropriate allocation of capital compared to the other investment opportunities that are available to us, while maintaining a regular ordinary dividend.

GROSS DEBT

In 2018 we successfully took advantage of a market window to issue €700 million of debt at a 2.1% average cost through a 10-year public and an inaugural 20-year euro-bond privately placed with institutional investors. These issuances have enabled us to extend EXOR's credit curve at attractive prices and to reduce our average cost of bond debt to 2.8% with an average maturity of above 6 years. The proceeds from these transactions fully repaid the remaining syndicated loan facilities put in place for the PartnerRe acquisition and were partly used to refinance our short-term debt.

In addition, we continued to retain flexibility and to diversify our funding sources by establishing our first Commercial Paper Program for up to €500 million, with access to borrowing at negative rates and laying the foundations for relations with a new investor base.



1 Excluding Bank Debt, Commercial Paper and accrued interest

Note: All figures are expressed in millions and in the original currency of issuance.

We are determined to continue to reduce our Gross Debt and will allocate a significant part of our ordinary cash flow for this purpose in 2019. Maintaining a strong balance sheet at EXOR and our companies remains a priority as we have entered an environment of increased economic and financial uncertainty.

2019

This year we turn 10 years old. It has been an extraordinary decade and one that has been very rewarding for our shareholders. On the day our shares started trading, March 2, 2009, they were worth €5.8. By March 1, 2019 they were valued at €54.3 and we had distributed €1.2 billion of capital in the form of dividends and buybacks, giving our shareholders a total return of close to 10x.

We are very conscious that, as our size increases, generating similar returns becomes harder but we are committed to growing our NAV per share at higher rates than the MSCI world index in dollars and to preserving our capital. This does not guarantee that we will be immune to volatility, but it does mean that we will focus on avoiding permanent losses.

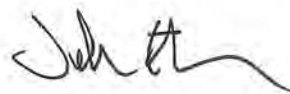
We will take the opportunity this year to reflect on what has been done in the last 10: what we learned, what we did well and not so well…and how we can further define and strengthen our culture, which I believe is the basis for a successful organization and allows us to attract and self-select the right people. It is they who ultimately lie behind our success and the success of our companies.
2019 is also the 120th anniversary of the foundation of FIAT on 11th July 1899, when my family's entrepreneurial adventure began.

We are entering a period for the car industry which is similar to its early days when multiple technologies and new business models were emerging. Between 1898 to 1908, more than 100 car companies were founded in Italy alone. Today, like then, the challenges are large, but the potential is even larger. We are very excited about the opportunities offered by connectivity, electrification and autonomous technologies to make our business stronger financially and ever more environmentally sustainable.

For over a century we have been a source of stability for FIAT and latterly for FCA and the business has prospered. Our permanence in the capital of FCA has given its successive leadership teams the latitude to plan for the long term rather than having to react to daily pressures. This has made courageous and original decisions possible that have also respected the enduring interests of all our stakeholders. This approach and mindset remain as relevant to us today as ever and our commitment to FCA and to participating in its bold and profitable future is also unchanged.

The next 20 years for the automotive industry, like its first 20 years, are set to witness a greater level of change than during the intervening 100. We are determined that we and FCA will play our part actively and ambitiously in this new and exciting era.

We very much look forward to celebrating our 10th anniversary with you during our Investor Day on November 21st in Torino. This will be held in the same location as in 2017: in the house of the Founder of FIAT. That is of course where it all started 120 years ago, but when we meet, we will talk not about the past, but about the future.



Board of Directors

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

Audit Committee

Melissa Bethell (*Chair*), Laurence Debroux and Annemiek Fentener van Vlissingen

Compensation and Nominating Committee

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

Independent Auditors

Ernst & Young Accountants LLP

Expiry of term of office

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

KEY DATA

EXOR Group – Consolidated Data € million	**2018**	2017[a]	2016
Net Revenues	**143,294**	138,226	140,068
Profit before tax	**6,354**	7,481	4,268
Net profit[b]	**5,416**	4,646	2,313
of which attributable to owners of the parent	**1,347**	1,392	589

(a) Data restated following the presentation of Magneti Marelli as a discontinued operation. For further detail see Note 3 in the consolidated financial statements.
(b) Of which €302 million from discontinued operation (€219 million in 2017).

EXOR Group – Consolidated Data – Shortened[a] € million	**2018**	2017	2016
Profit attributable to owners of the parent	**1,347**	1,392	589
Share of earnings of investments and dividends	**1,438**	1,456	908
Investments accounted for using the equity method	**15,393**	13,879	14,086
Issued capital and reserves attributable to owners of the parent	**12,210**	10,805	10,982
Consolidated net financial position of EXOR's Holdings System	**(3,255)**	(3,164)	(3,424)

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

Earnings per share (€)[a]	**2018**	2017[b]	2016
Profit attributable to owners of the parent – basic	**5.73**	5.93	2.51
Profit attributable to owners of the parent – diluted	**5.67**	5.87	2.47

(a) Additional details on the calculation of basic and diluted earnings per share are provided in Note 11 to the consolidated financial statements.
(b) Data restated following the presentation of Magneti Marelli as a discontinued operation. For further detail see Note 3 in the consolidated financial statements.

Other information	**31/12/2018**	31/12/2017	31/12/2016
Net Asset Value - Total € ml[a] [b]	**17,238**	19,155	13,890
Per share[c]	***71.89***	*79.48*	*57.63*
Market Capitalization - Total € ml	**11,341**	12,301	9,870
Per share[d]	***47.06***	*51.04*	*40.96*
Dividend paid - Total € ml	**82.3**	82.1	82.0
Per share	***0.35***	*0.35*	*0.35*
Issued capital and reserves attributable to owners of the parent - Total € ml	**12,210**	10,805	10,982
Per share	**52.11**	*45.97*	*46.83*

(a) Alternative Performance Measure, as defined on page 12.
(b) Equal to: $19,740 million at 31 December 2018; $22,972 million at 31 December 2017, $14,642 million at 31 December 2016.
(c) Based on 239,768,490 shares at 31 December 2018 (netting out the 1,231,510 ordinary shares bought back in 2018 in the context of the Share Buyback Program). Based on 241,000,000 shares at 31 December 2017 and 31 December 2016.
(d) Based on total issued shares (241,000,000).

Stock Market data	**01/01/19 – 15/03/19**	01/01/18 – 31/12/18
At the end of the period (€)	**55.263**	47.060
Maximum (€)	**57.064**	65.425
Minimum (€)	**46.353**	46.312
Average daily volume exchanged during the period (shares)	**345.102**	404,158
Average daily value of exchanges during the period (in Euro)[a]	**18,648,890**	23,078,611

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

EXOR GROUP PROFILE

EXOR GROUP PROFILE

EXOR N.V. ("EXOR" or the "Company") is one of Europe's largest diversified holding companies, with a Net Asset Value (NAV)(1) of almost $20 billion (equal to over €17 billion) at 31 December 2018. 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 is Gustav Mahlerplein 25, 1082 MS, Amsterdam, the Netherlands, telephone number +31 (0) 202402220.

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 equity investments, without a defined investment and divestment policy and is not bound by any specific targets or criteria regarding the geographical and industrial features of its investments, holding periods and achievements of targets. EXOR generates returns which may be retained, 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) An Alternative Performance Measure as defined on page 12.

The principal EXOR Group investments are the following:

Percentages updated on the basis of the latest available information.
(a) EXOR holds 99.66% of voting rights on issued common stock.
(b) EXOR holds 42.11% of voting rights on issued capital.
(c) EXOR holds 32.75% of voting rights on issued capital.
(d) EXOR holds 41.68% of voting rights on issued capital.
(e) Voting rights are limited to 20%.

PartnerRe (100% of common stock) is a leading global pure-play reinsurer, with a broadly diversified and balanced portfolio of traditional reinsurance risks and capital markets risks. PartnerRe commenced operations in 1993 and provides Non-life (Property & Casualty (P&C) and Specialty) and Life and Health reinsurance on a worldwide basis. Risks reinsured include, but are not limited to, agriculture, aviation/space, casualty, catastrophe, energy, engineering, financial risks, marine, motor, multiline and property as well as mortality, longevity, accident and health, and alternative risk products.
PartnerRe has offices in 20 cities worldwide and is present in approximately 190 countries. The company's principal offices are located in Hamilton (Bermuda), Dublin, Stamford (Connecticut, USA), Toronto, Paris, Singapore and Zurich.

Fiat Chrysler Automobiles (FCA) (28.98% stake) is a global automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide. FCA is listed on the New York Stock Exchange (NYSE) and the Mercato Telematico Azionario managed by Borsa Italiana (MTA) and is included in the FTSE MIB Index.
FCA designs, engineers, manufactures, distributes and sells vehicles for the mass-market under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram brands and the SRT performance vehicle designation. FCA supports its vehicle shipments with the sale of related service parts and accessories, as well as service contracts, worldwide under the Mopar brand name for mass-market vehicles. In addition, FCA designs, engineers, manufactures, distributes and sells luxury vehicles under the Maserati brand. FCA makes available retail and dealer financing, leasing and rental services through its subsidiaries, joint ventures and commercial arrangements with third party financial institutions. In addition, FCA operates in the components and production systems sectors under the Teksid and Comau brands.
FCA has operations in more than 40 countries and sells vehicles directly or through distributors and dealers in more than 135 countries. At 31 December 2018 FCA has 102 manufacturing facilities and 46 research and development centers.

Ferrari (22.91% stake) 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. 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 symbolizes exclusivity, innovation, state-of-the-art sporting performance and Italian design and engineering heritage. Ferrari's name and history and the image enjoyed by its cars are closely associated with its Formula 1 racing team, Scuderia Ferrari, the most successful team in Formula 1 history. Ferrari designs, engineers and produces its cars in Maranello, Italy, and sells them in over 60 markets worldwide through a network of 167 authorized dealers operating 190 points of sale as of the end of 2018.

CNH Industrial (26.89% stake) is a leading global capital goods company that implements design, manufacturing, distribution, commercial and financial activities in international markets. It 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 has five operating segments: Agricultural equipment, Construction equipment, Commercial Vehicles, Powertrain and Financial Services. It engages in the design, production, marketing, sale and financing of agricultural and construction equipment (through the families of Case and New Holland brands), trucks, commercial vehicles, buses and specialty vehicles for firefighting, defense and other uses (through the Iveco brand), as well as engines, axles and transmissions solutions for on-road, off-road, marine and power generation applications (FPT Industrial). At 31 December 2018 CNH Industrial has industrial and financial services companies located in 44 countries and a commercial presence in approximately 180 countries.

Juventus Football Club (63.77% of share capital) is listed on the Mercato Telematico Azionario managed by Borsa Italiana (MTA) and is included in the FTSE MIB Index. Founded in 1897, it is one of the most prominent professional football teams in the world. Its main sources of income come from the economic exploitation of sports events, the Juventus brand and the first team image, the most significant of these include licensing of television and media rights, sponsorship, selling of advertising space, licensing and merchandising.

The Economist Group (43.40%) is the leading source of analysis on international business and world affairs. Based in London and serving a global readership and client base, The Economist Group delivers its information through a range of formats, from newspapers and magazines to conferences and electronic services.
Its flagship businesses include The Economist newspaper and website, and research and analysis division The Economist Intelligence Unit. In addition, the group publishes The World In…, Espresso, Economist Films, Economist Radio and 1843.

SIGNIFICANT EVENTS IN 2018

SIGNIFICANT EVENTS IN 2018

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

Issue of non-convertible bonds due January 2028

On 18 January 2018 EXOR issued bonds 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 was to raise new funds for EXOR's general corporate purposes, including the repayment of certain loan facilities of the company. The notes are listed on the Luxembourg Stock Exchange and are rated BBB+ by Standard and Poor's.

Issue of non-convertible bonds due February 2038

On 15 February 2018 EXOR issued bonds for a nominal amount of €200 million, maturing in February 2038, with a fixed annual coupon of 3.125%. The purpose of the issue was to refinance short-term debt. The notes, issued through a private placement to institutional investors, are listed on the Luxembourg Stock Exchange MTF Market and are rated BBB+ by Standard and Poor's.

Constitution of the Partners Council

On 24 May 2018 EXOR N.V. announced the constitution of a Partners Council chaired by former UK Chancellor of the Exchequer George Osborne.
The initial membership of the Partners Council is: Michael Larson - Chief Investment Officer of BMGI; Jorge Paulo Lemann - Co-Founder of 3G Capital; George Osborne, CH Editor of the London Evening Standard; Nassef Sawiris - CEO of OCI; Rob Speyer - President and CEO of Tishman Speyer; Joseph C. Tsai - Executive Vice Chairman of Alibaba Group; Mike Volpi - Co-Founder of Index Ventures; Ruth Wertheimer – Founder, Owner and Chairwoman of 7- Main.
The EXOR Partners Council brings together a group of highly successful business leaders representing a wide range of companies, nationalities, backgrounds and experiences.
This group will bring additional external experience and counsel into EXOR, which will be particularly valuable, for example, when exploring new business opportunities.

Constitution of EXOR Seeds

In the first half of 2018 EXOR Group promoted EXOR Seeds, a new global venture initiative through which it plans to invest $100 million in startups, highly diversified by sector and geography, with a long-term investment outlook.

EXOR Euro-Commercial Paper Program

On 15 May 2018 EXOR established its first Euro-Commercial Paper Program (ECP Program) allowing it to issue short-term notes with maturity of up to 364 days and a maximum amount outstanding of €500 million.
The program enables the Company to achieve greater diversification of its funding sources in the capital markets and enhance its liquidity management. At 31 December 2018 the total amount outstanding in the program was €230 million.

EXOR share buyback Program

On 15 November 2018 EXOR Board of Directors approved a share buyback program, adopted by the Annual General Meeting of Shareholders held on 29 May 2018. The program involves the repurchase from time to time of up to €300 million of ordinary shares and is intended to optimize the company's capital structure. This amount represents approximately 50% of the extraordinary dividend that is expected to be paid by Fiat Chrysler Automobiles N.V. to EXOR following the disposal of Magneti Marelli.
On 2018 EXOR purchased 1,231,510 ordinary shares for a total amount of € 62 million.
At 31 December 2018 EXOR held 6,709,893 ordinary shares in treasury (2.78% of issued capital).

(1) An Alternative Performance Measure as defined on page 12.

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP

This section highlight the most significant economic and financial data from the consolidated financial statements.

Data received from subsidiaries are prepared for EXOR consolidation purposes in order to ensure an uniform accounting criteria and therefore may differ with data published in their financial report.

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP

Significant economic data[(a)]

(€ million)	FCA	CNH INDUSTRIAL	FERRARI	PARTNERRE	JUVENTUS	MINOR AND ADJUSTMENTS[(b)]	CONSOLIDATED
2018							
Revenues	110,412	25,179	3,420	4,694	544	(955)	**143,294**
Net profit	3,632	1,185	787	(75)	(55)	(58)	**5,416**
Share of profit (loss) attributable to owners of the parent (EXOR share)	1,046	314	186	(105)	(35)	(59)	**1,347**
2017							
Revenues	105,730	24,739	3,417	5,016	540	(1,216)	138,226
Net profit	3,510	422	537	199	14	(36)	4,646
Share of profit (loss) attributable to owners of the parent (EXOR share)	1,018	110	126	168	9	(39)	1,392

(a) Data presented in the table are prepared by each subsidiary for the EXOR consolidation process and may differ from data published by each subsidiary in its financial report.
(b) Includes the net result of EXOR and subsidiaries of the Holdings System excluding the share of the profit of the operating companies presented in their respective column. Further details are provided in the section Alternative Performance Measures on page 12.

Revenues

Net revenues for the year 2018 of PartnerRe were €4,694 million, a decrease of €322 million compared to the year 2017 (€5,016 million), principally due to a net increase in realized and unrealized investment losses (€542 million), partially offset by an increase in net premiums earned (€220 million).

Net revenues for the year 2018 of FCA (excluding Magneti Marelli) were €110,412 million with higher shipments, positive pricing and favorable mix, principally in NAFTA.

Net revenues for 2018 of Ferrari increased to €3,420 million (€3,417 million in 2017), thanks to the combination of a €79 million increase in cars and spare parts, a €12 million increase in sponsorship, commercial and brand and a €1 million increase in other net revenues, partially offset by a €89 million decrease in engines sales.

Revenues for the year 2018 of CNH industrial Group were €25,179 million, an increase of €452 million compared to the year 2017. This increase was primarily due to an improvement in net revenues of Industrial Activities.

Net Profit (loss)

Net loss of PartnerRe was driven by Catastrophic losses related to Typhoons Jebi and Trami, Hurricanes and Michael, and California wildfires and net realized and unrealized investment losses on fixed maturities and short-terms investments, partially offset by net foreign exchange gains.

In 2018 FCA net profit was €3,632 million, of which €3,330 million from continuing operations (€3,291 million in 2017). The increase in the net profit from continuing operations (+€22 million) was mainly driven by lower tax and net financial expenses, improved NAFTA and LATAM operating performance, net of lower results in APAC, Maserati and EMEA. Net profit from continuing operations was also affected by a provision of €748 million recognized for costs and related to final settlements reached on civil, environmental and consumer claims related to U.S. diesel emissions matters.

Net profit of CNH Industrial in 2018 amounted €1,185 million compared to €422 million in 2017 and included a gain of €446 million related to the modification of a healthcare plan in the U.S.

Significant financial data[a]

€ million	FCA	CNH INDUSTRIAL	FERRARI	PARTNERRE	JUVENTUS	MINOR AND ADJUSTMENTS[b]	CONSOLIDATED
31 December 2018							
Cash and cash equivalents	12,450	5,068	794	766	36	22	**19,136**
Total assets	96,873	42,489	4,852	20,556	925	580	**166,275**
Gross debt	14,735	21,529	1,939	1,328	424	3.621	**43,576**
Total equity	24,903	6,525	1,354	6,355	80	(2,772)	**36,445**
Issued capital and reserves attributable to owners the parent (EXOR share)	7,154	1,722	342	5,719	51	(2,778)	**12,210**
31 December 2017							
Cash and cash equivalents	12,638	5,169	648	1,478	72	23	20,028
Total assets	96,299	42,332	4,141	19,796	820	387	163,775
Gross debt	18,109	21,773	1,809	1,272	356	3,377	46,696
Total equity	20,987	5,708	784	6,255	137	(2,685)	31,186
Issued capital and reserves attributable to owners of the parent (EXOR share)	6,077	1,454	206	5,639	88	(2,659)	10,805

(a) Data presented in the table are prepared by each subsidiary for the EXOR consolidation process and may differ from data published by each subsidiary in its financial report.
(b) Includes the assets of EXOR and subsidiaries of the Holdings System excluding the investment in the operating companies presented in their respective column. Further details are provided in the section Alternative Performance Measures on page 12.

Gross debt

€ million	31/12/2018	31/12/2017	31/12/2016
Bonds	**20,470**	22,103	25,487
Borrowings from banks	**9,143**	11,239	14,509
Asset-backed financing	**10,981**	10,943	12,075
Payables represented by securities	**1,551**	826	1,619
Other financial debt and liabilities	**1,431**	1,585	3,127
Gross debt	**43,576**	46,696	56,817

Financial debt is constituted, to a large extent, of bond issues and bank borrowings. As is the usual practice, the major part of bank borrowings and bond issued 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	2018	2017	2016
Cash and cash equivalents at the beginning of the year	**20,028**	25,162	30,587
Cash flow from (used in) operating activities	**12,916**	13,390	12,619
Cash flow from (used in) investing activities	**(10,184)**	(10,771)	(12,740)
Cash flow from (used in) financing activities	**(3,030)**	(5,944)	(5,564)
Translation exchange differences	**125**	(1,809)	259
Net change in cash and cash equivalents	**(173)**	(5,134)	(5,426)
Cash and cash equivalents at the end of the year	**19,855**	20,028	25,161
Cash and cash equivalents included in assets held for sale and discontinued operations	**(719)**	0	1
Cash and cash equivalents at the end of the year	**19,136**	20,028	25,162

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

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

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)

This section presents the Alternative Performance Measures identified by EXOR directors, to facilitate the understanding of the economic and financial performance of EXOR and the Group.

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

ALTERNATIVE PERFORMANCE MEASURES (APM)

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

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

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

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

Net Asset Value (NAV)

Net Asset Value (NAV) corresponds to the total value of assets net of the Gross Debt of the Holdings System as defined below. In determining the total value of assets at 31 December 2018, listed equity investments and other securities are valued at official market trading prices, unlisted equity investments are valued at fair value, determined annually by independent experts, 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 includes shares held in treasury before the Share Buyback Program launched on 14 November 2018. Treasury shares are valued at the official stock exchange price, except for the part designated to service stock option plans (measured at the option exercise price under the plan if this is less than the stock exchange price).

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

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

At 31 December 2018, EXOR's NAV is $19,740 million (€17,238 million) compared to $22,972 million (€19,155 million) at 31 December 2017.

At 31 December 2018 EXOR's NAV per share amounts to $82.33 or €71.89 compared to $95.32 (€79.48) at 31 December 2017), a decrease of $13/share or -13.6%.

Breakdown of Net Asset Value

in US$ million	Ownership (%)	Valuation methodology	31/12/2018	31/12/2017	Change vs 31/12/2017	
					Amount	%
Investments			**23,272**	26,550	(3,278)	-12.3%
PartnerRe	100.00%	Fair value by independent experts	**7,650**	7,590	60	+0.8%
Fiat Chrysler Automobiles	28.98%	Official market price	**6,538**	8,093	(1,555)	-19.2%
Ferrari	22.91%	Official market price	**4,404**	4,691	(287)	-6.1%
CNH Industrial	26.89%	Official market price	**3,296**	4,918	(1,622)	-33.0%
Juventus Football Club	63.77%	Official market price	**797**	589	208	+35.3%
Other investments [(a)]		Listed: official market price, Unlisted: available fair value	**587**	669	(82)	-12.3%
Other Assets [(b)]			**501**	343	159	+46.4%
Cash and cash equivalents			**306**	127	179	+140.9%
Financial investments			**4**	4	0	+0.0%
Treasury stock			**191**	212	(21)	-9.9%
Gross Asset Value			**23,773**	26,893	(3,120)	-11.6%
Gross Debt			**(4,033)**	(3,921)	(112)	+2.9%
Net Asset Value (NAV)			**19,740**	22,972	(3,232)	-14.1%
NAV per Share in US$ [(c)]			**82.33**	95.32	(13)	-13.6%

(a) Other investments include the stake in The Economist Group ($400 million), Welltec ($106 million), GEDI ($12 million), NocoA and other minor sundry investments ($69 million).
(b) At 31 December 2018, 'Other assets' include $4 million of financial investments, $306 million of cash and cash equivalents and $191 million of treasury stock. Treasury stock includes shares held in treasury before the Share Buyback Program launched on 14 November 2018. At 31 December 2017, 'Other assets' include $4 million of financial investments, $127 million of cash and cash equivalents and $212 million of treasury stock.
(c) Based on 239,768,490 shares at 31 December 2018 (netting out the 1,231,510 ordinary shares bought back in 2018 in the context of the Share Buyback Program). Based on 241,000,000 shares at 31 December 2017.

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

in € million	31/12/2018	31/12/2017	Change vs 31/12/2017	
			Amount	%
Investments	**20,323**	22,138	(1,815)	-8.2%
Other Assets[(a)]	**437**	286	151	+52.8%
Gross Asset Value	**20,760**	22,424	(1,664)	-7.4%
Gross Debt	**(3,522)**	(3,269)	(253)	+7.7%
Net Asset Value (NAV)	**17,238**	19,155	(1,917)	-10.0%

(a) Of which, at 31 December 2018: €3 million of financial investments, €267 million of cash and cash equivalents and €167 million of treasury stock. At 31 December 2017: €3 million of financial investments, €106 million of cash and cash equivalents and €177 million of treasury stock.

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

Reconciliation with the IFRS financial statements

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

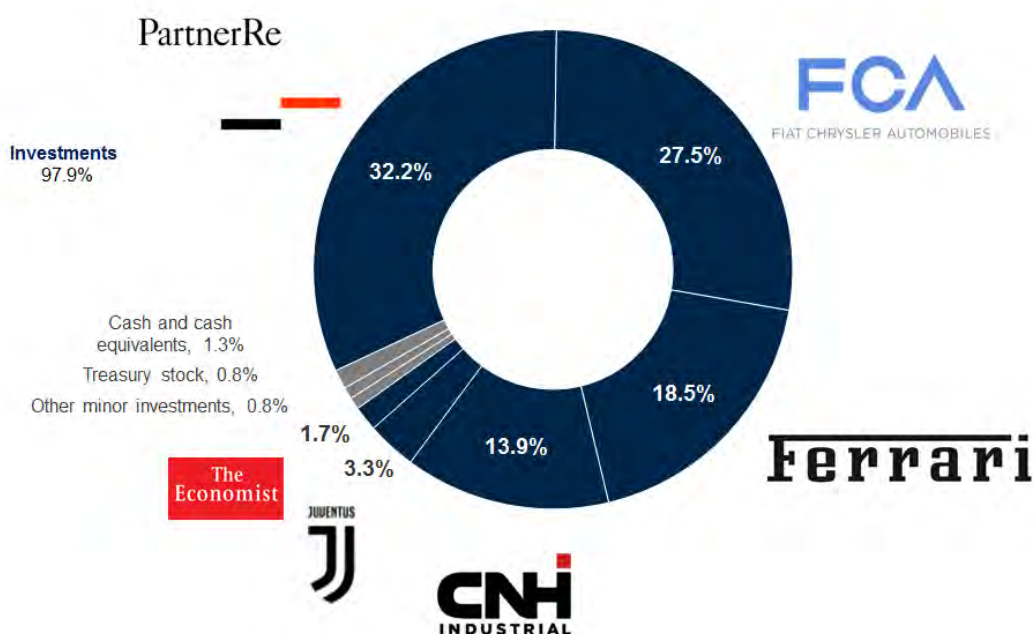
€ million	31/12/2018	31/12/2017
Issued capital and reserves attributable to owners of the parent	**12,210**	10,805
Difference between the market value and the book value of the investments	**4,861**	8,171
Treasury stock and others	**167**	179
Net Asset Value (NAV)	**17,238**	19,155

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

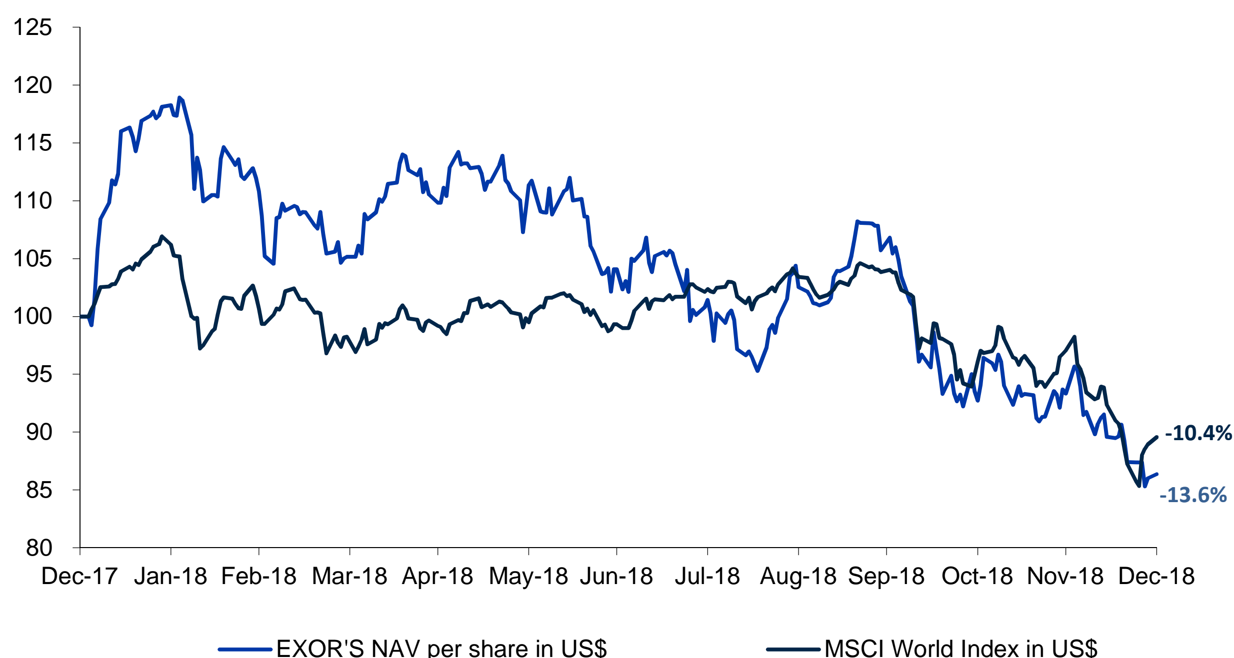
	31/12/2018		31/12/2017	
€ million	Book value	Market value	Book value	Market value
PartnerRe	**5,719**	**6,681**	5,639	6,329
FCA	**7,154**	**5,710**	6,071	6,749
Ferrari	**342**	**3,846**	206	3,912
CNH Industrial	**1,722**	**2,878**	1,493	4,100
Juventus Football Club	**51**	**696**	88	491
The Economist Group	**318**	**348**	294	382
Others	**143**	**151**	176	175
Total	**15,449**	**20,310**	13,967	22,138
Difference		*4,861*		*8,171*

Gross Asset Value composition

The following pie chart illustrates the Gross Asset Value composition at 31 December 2018 ($23,773 million or €20,760 million).



Change in NAV per share compared to the MSCI World Index in USD



Net financial position of the Holdings System

The net financial position of the Holdings System, determined by 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. (Luxembourg), Exor Investments Limited (United Kingdom), Exor Investment (UK) LLP (United Kingdom), Ancom USA Inc. (USA), Exor SN LLC (USA) - are consolidated in the financial statements of the parent company EXOR using the line-by-line method while the data derived from the financial statements or accounting data prepared in accordance with IFRS of the operating subsidiaries and associates (PartnerRe, Ferrari, CNH Industrial, Juventus Football Club, The Economist Group and Welltec) are included in the consolidated 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.

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

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

€ million	31/12/2018	31/12/2017	31/12/2016
Financial assets and financial receivables	**246**	82	88
Cash and cash equivalents	**21**	24	117
Cash, cash equivalents and financial assets	**267**	106	205
EXOR bonds	**(3,236)**	(2,521)	(2,999)
Bank debt	**(30)**	(715)	(601)
Commercial paper	**(230)**	-	-
Other financial payables	**(26)**	(34)	(29)
Gross debt	**(3,522)**	(3,270)	(3,629)

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

€ million	31/12/2018	31/12/2017	31/12/2016
Cash and cash equivalents[1]	**19,136**	20,028	25,161
(Less) Cash and cash equivalents of the operating subsidiaries accounted for using the equity method in the Holdings System	**19,115**	20,004	25,044
Financial asset and financial receivables	**246**	82	88
Cash, cash and cash equivalents and financial asset of the Holdings System	**267**	106	205

(1) GAAP measure, see page 10.

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

€ million	31/12/2018	31/12/2017	31/12/2016
Gross debt[1]	**(43,576)**	(46,696)	(56,817)
(Less) Gross debt of the operating subsidiaries accounted for using the equity method in the Holdings System	**40,054**	43,426	53,188
Gross debt of the Holdings System	**(3,522)**	(3,270)	(3,629)

(1) GAAP measure, see page 10.

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

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

(€ million)	2018	2017	Change
PartnerRe	**(105)**	168	(273)
FCA	**1,046**	1,018	28
Ferrari	**186**	126	60
CNH Industrial	**314**	110	204
Juventus Football Club	**(35)**	9	(44)
Investments in subsidiaries	**1,406**	1,431	(25)
The Economist Group	**37**	19	18
Welltec	**(5)**	-	-
Investments in associates	**32**	19	18
Adjustments in subsidiaries	**0**	(1)	1
Total	**1,438**	1,449	(6)

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

€ million	2018	2017	Change
Profit (loss) attributable to owners of the parent[1]	**1,347**	1,392	(45)
Less:			
- Dividends from investments	**0**	(7)	7
- (Losses) gains on disposals and impairment	**1**	66	(65)
- Net financial (expenses) income	**64**	(14)	78
- Net recurring general expenses and non-recurring other expenses	**22**	34	(12)
- Income taxes and other taxes and duties	**4**	(22)	26
Share of the profit of investments accounted for using the equity method	**1,438**	1,449	(11)

(1) GAAP measure, see page 9.

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP – SHORTENED

This section presents EXOR Group results using the “shortened” method of consolidation.

The Holding system companies are consolidated line-by-line and the operating subsidiaries and associates are consolidated using the equity method.

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

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP - SHORTENED

As described above in the APM section, EXOR applies a shortened consolidation criterion to facilitate the analysis of the financial position and results of EXOR.

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

The following table shows the shortened consolidation area:

	Reporting currency	% of consolidation	
		31/12/2018	31/12/2017
Holding Company	**€**	**100**	100
- EXOR N.V. (The Netherlands)			
Companies in the Holdings System consolidated line-by-line			
- Exor Nederland N.V. (The Netherlands)	$	**100**	100
- EXOR S.A. (Luxembourg)	€	**100**	100
- Ancom USA Inc. (USA)	$	**100**	100
- Exor SN LLC (USA)	$	**100**	100
- Exor Capital DAC (Ireland)[(a)]	€	**-**	100
- Exor Investments Limited Ltd. (United Kingdom)	£	**100**	100
- Exor Investments (UK) LLP (United Kingdom)	£	**99.67**	99.67
Investments in operating subsidiaries and associates, accounted for using the equity method			
- PartnerRe	$	**100**	100
- FCA	€	**28.98**	29.18
- Ferrari	€	**23.65**	23.52
- CNH Industrial	$	**27.10**	26.91
- Juventus Football Club	€	**63.77**	63.77
- The Economist Group	£	**43.40**	43.40
- Welltec	$	**22.12**	21.24

(a) In the process of liquidation.

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

	2018		2017	
	Average	31/12	Average	31/12
U.S. dollar	1.181	1.145	1.130	1.199
British pound	0.885	0.895	0.877	0.888

EXOR closed the year 2018 with a consolidated profit of €1,347 million; the year 2017 ended with a consolidated profit of €1,392 million. The decrease of €45 million is attributable to the lower net financial income of €78 million and other negative changes of €32 million, partially offset by the decrease in impairments (€65 million).

The consolidated net financial position of the Holdings System at 31 December 2018 is a negative €3,255 million and reflects a negative change of €91 million compared to the negative financial position of €3,164 million at 31 December 2017. Additional details are provided in Note 8.

At 31 December 2018 the consolidated equity attributable to owners of the parent amounts to €12,210 million with a net increase of €1,405 million compared to €10,805 million at 31 December 2017. Additional details are provided in Note 9.

Following the retrospective adoption on 1 January 2018 of IFRS 9 – Financial Instruments and IFRS 15 –Revenue from Contracts with Customers EXOR recognized the accumulated transitional effects in retained earnings on the date of initial application.
EXOR has not restated consolidated shortened data as a result of the adoption of IFRS 9 and IFRS 15, but has quantified the effects attributable to FCA and CNH Industrial on the statement of financial position. The adoption of the standards generated a net reduction in EXOR's equity and in investments accounted for using the equity method of €33 million at 1 January 2018. Additional details are provided in Note 6.

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

EXOR GROUP – Consolidated Income Statement – Shortened

€ million	Note	2018	2017		Change
Share of the profit (loss) of investments accounted for using the equity method	1	**1,438**	1,449		(11)
Dividends from investments	2	**0**	7		(7)
(Losses) gains on disposals and impairment		**(1)**	(66)	(a)	65
Net financial (expenses) income	3	**(64)**	14		(78)
Net recurring general expenses	4	**(22)**	(28)		6
Non-recurring other expenses	5	**(3)**	(6)		3
Income taxes and other taxes and duties		**(1)**	22	(b)	(23)
Profit (loss) attributable to owners of the parent		**1,347**	1,392		(45)

a) Of which Welltec (-€47 million) and Banca Leonardo (-€19 million).
b) Of which €21 million related to the update of the estimate of the Italian Exit tax settled in June 2017.

EXOR GROUP – Consolidated Statement of Financial Position – Shortened

€ million	Note	31/12/2018	31/12/2017		Change
Investments accounted for using the equity method	6	**15,393**	13,879		1,514
Investments measured at fair value	7	**55**	48		7
Property, plant and equipment, intangible assets and other assets		**18**	15		3
Financial assets, financial receivables and cash and cash equivalents	8	**267**	106		161
Tax receivables and other assets		**6**	7		(1)
Assets held for sale		**0**	28	(a)	(28)
Total Assets		**15,739**	14,083		1,656
Issued capital and reserves attributable to owners of the parent	9	**12,210**	10,805		1,405
Bonds	8	**3,236**	2,521		715
Bank debt and commercial paper	8	**260**	715		(455)
Other financial liabilities	8	**26**	34		(8)
Tax payables and other liabilities		**7**	8		(1)
Total Equity and Liabilities		**15,739**	14,083		1,656

(a) Related to the sale of the investment in Banca Leonardo completed on 30 April 2018. Value aligned to the estimated sale proceeds.

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 2018 amounts to €1,438 million, with a decrease of €11 million compared to 2017 (€1,449 million) The negative change reflects in particular the decrease in the share of the profit of PartnerRe and Juventus, for €273 million and €44 million respectively, partially offset by the increases of CNH Industrial, Ferrari and FCA for €204 million, €60 million and €28 million respectively.

	Profit (Loss)[a] (€ million)		EXOR's share (€ million)		
	2018	2017	**2018**	2017	Change
PartnerRe	(105)	168	**(105)**	168	(273)
FCA	3,608	3,491	**1,046**	1,018	28
Ferrari	785	535	**186**	126	60
CNH Industrial	1,159	407	**314**	110	204
Juventus Football Club[b]	(55)	14	**(35)**	9	(44)
Investments in subsidiaries			**1,406**	1,431	(25)
The Economist Group[c]	86	45	**37**	19	18
Welltec[d]	(32)	n.a.	**(5)**	-	(5)
Investments in associates			**32**	19	13
Adjustments			**0**	(1)	1
Total			**1,438** [e]	1,449 [e]	(11)

(a) Results attributable to owners of the parents. Results reported in foreign currencies have been converted into Euro at the average exchange rate of the year.
(b) The profit refers to the accounting data prepared for consolidation in EXOR for the period 1 January – 31 December.
(c) The profit refers to the period 1 October – 30 September.
(d) Accounted using the equity method starting from 31 December 2017 following the acquisition of an additional interest in the share capital at the end of the year therefore having no effect on the income statement.
(e) Of which in 2018 € 1,298 million correspond to the share of the profit (loss) and €138 million to dividends and in 2017 €1,227 million correspond to the share of the profit and €222 million to dividends.

For comments on the performance of the principal operating subsidiaries please refer to the section “Review of the performance of the operating subsidiaries”.

2. Dividends from investments

€ million	**2018**	2017	Change
Dividends received from investments accounted for using the equity method:			
- PartnerRe	**41**	128	(87)
- Ferrari	**31**	28	3
- CNH Industrial	**51**	41	10
- The Economist Group	**15**	18	(3)
Others	**-**	7	(7)
Dividends included in the net financial position	**138**	222	(84)
Less: Dividends received from investments accounted for using the equity method	**(138)**	(215)	77
Dividends included in the income statement	**0**	7	(7)

3. Net financial (expenses) income

In 2018 net financial expenses amount to €64 million (net financial income of €14 million in 2017).

€ million	2018	2017	Change
Interest income on:			
- bank current accounts and deposits	**1**	1	0
- bonds	**2**	4	(2)
- financial receivables	**3**	0	3
Realized and unrealized gains (losses) on financial assets at FVTPL	**11**	0	11
Interest income and other financial income	**17**	5	12
Interest expenses and other financial expenses on:			
- EXOR bonds	**(93)** [a]	(88) [a]	(5)
- bank debt	**(3)**	(12)	9
Interest expenses and other financial expenses	**(96)**	(100)	4
Exchange gains (losses), net	**15**	0	15
Financial (expenses) income generated by the financial position	**(64)**	(95)	31
Realized gains (losses) on financial assets at FVTOCI	**-**	109 [b]	(109)
Financial (expenses) income recorded in the income statement	**(64)**	14	(78)

(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 negative €0.5 million (positive €0.6 million in the year 2017).
(b) Refers to the net gain realized on the total redemption of The Black Ant Value Fund, arising from the reversal of the fair value reserve.

4. Net recurring general expenses

Net recurring general expenses in 2018 amount to €22 million with a decrease of €6 million compared to the prior year (€28 million). The decrease is mainly due to cost saving efforts related to the reorganization of the Holdings System.

The main items are detailed below:

€ million	2018	2017	Change
Personnel costs	**(8)**	(8)	0
Compensation and other costs relating to directors	**(2)**	(3)	1
Service costs, net	**(6)**	(11)	5
Net recurring general expenses generated by financial position	**(16)**	(22)	6
Share based compensation plan costs	**(6)**	(6)	0
Net recurring general expenses recorded in the income statement	**(22)**	(28)	6

5. Non-recurring other expenses

In 2018 non-recurring other expenses amount to €3 million (€6 million in 2017) and mainly referred to contributions to cultural and charitable associations and other non-recurring consulting fees.

6. Investments accounted for using the equity method

€ million	31/12/2018	31/12/2017 (as previously reported)	Adjustment IFRS 15/ IFRS 9	1/1/2018 (as adjusted)	Change (vs adjusted)
PartnerRe	**5,719**	5,639		5,639	80
FCA	**7,154**	6,071	6	6,077	1,077
Ferrari	**342**	206		206	136
CNH Industrial	**1,722**	1,493	(39)	1,454	268
Juventus Football Club	**51**	88		88	(37)
The Economist Group	**318**	294		294	24
Welltec	**87**	88		88	(1)
Total	**15,393**	13,879	(33)	13,846	1,547

The positive change in EXOR's investment in PartnerRe is mainly due to the positive translation exchange differences (€201 million) and remeasurement of defined benefit plans reserve (€21 million), partially offset by EXOR's share of the loss for the year (€105 million) and the payment of dividends (€41 million).

The positive change in EXOR's investment in FCA (€1,077 million) is mainly attributable to EXOR's share of the profit (€1,046 million) and the positive remeasurement of defined benefit plans reserve (€70 million).

The positive change in EXOR's investment in Ferrari (€136 million) is primarily due to the EXOR's positive share of the profit (€186 million), partially offset by the payment of dividends (€31 million) and the buy- back of treasury stock (€24 million).

The positive change in EXOR's investment in CNH Industrial (€268 million) can be ascribed primarily to EXOR's share of the profit (€314 million) and the positive remeasurement of defined benefit plans reserve (€34 million), partially offset by the payment of dividends (€51 million), the negative translation exchange differences (€24 million) and the buy-back of treasury stock (€36 million).

7. Investments measured at fair value

The investments measured at fair value amount to €55 million (€48 million at 31 December 2017) and include principally investments in equity instruments. The positive change (€7 million) is mainly due to new investments (€18 million) partially offset by the negative fair value adjustment (€7 million) and the disposal of minor investments (€4 million).

8. Net financial position of the Holdings System

The net financial position of the Holdings System at 31 December 2018 is a negative €3,255 million and shows a negative change of €91 million compared to the balance at 31 December 2017 (a negative €3,164 million).

€ million	31/12/2018	31/12/2017	Change
Financial assets	**238**	56	182
Financial receivables	**8**	26	(18)
Cash and cash equivalents	**21**	24	(3)
Cash, cash equivalents and financial assets	**267**	106	161
EXOR bonds	**(3,236)**	(2,521)	(715)
Bank debt	**(30)**	(715)	685
Commercial paper	**(230)**	-	(230)
Other financial liabilities	**(26)**	(34)	8
Gross debt	**(3,522)**	(3,270)	(252)
Net financial position of the Holdings System	**(3,255)**	(3,164)	(91)

Financial assets include principally financial instrument accounted for at FVTPL and debt securities listed on an active market measured at amortized cost.

Financial receivables include the receivable arising from the divestment of Banca Leonardo (€8 million), completed in April 2018.

Cash and cash equivalents include short-term deposits, 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 2018 bonds issued by EXOR can be analyzed as follows:

Issue date	Maturity date	Issue price	Fixed Rate (%)	Nominal amount (million)	Balance at 31/12/2018 (€ million)	Balance at 31/12/2017 (€ million)	Change
16-Oct-12	16-Oct-19	98.136	4.7500	150.0	**(151)**	(151)	0
12-Nov-13	12-Nov-20	99.053	3.375	200.0	**(200)**	(200)	0
03-Dec-15	02-Dec-22	99.499	2.125	750.0	**(747)**	(746)	(1)
08-Oct-14	08-Oct-24	100.090	2.500	650.0	**(653)**	(652)	(1)
07-Dec-12	31-Jan-25	97.844	5.250	100.0	**(103)**	(103)	0
22-Dec-15	22-Dec-25	100.779 (a)	2.875	450.0 (a)	**(452)**	(452)	0
20-May-16	20-May-26	99.650	4.398	170.0 (b)	**(149)**	(142)	(7)
18-Jan-18	18-Jan-28	98.520	1.750	500.0	**(500)**	0	(500)
09-May-11	09-May-31	100.000	2.800 (c)	10,000.0 (d)	**(80)**	(75)	(5)
15-Feb-18	15-Feb-38	98.183	3.125	200.0	**(201)**	0	(201)
					(3,236)	(2,521)	(715)
- Current portion					**(178)**	(14)	(164)
- Non-current portion					**(3,058)**	(2,507)	(551)

(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) Nominal value in $, original currency of issuance.
(c) To protect against currency fluctuations, a hedging transaction was put in place using a cross currency swap. The cost in Euro is fixed at 6.012% per year.
(d) Nominal value in Yen.

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

EXOR may from time to time buy back bonds on the market also for purposes of their cancellation. Such buybacks, if made, depend upon market conditions, EXOR's financial situation and other factors which could affect such decisions.

The bank debt decrease of €685 million is mainly attributable to the repayment of credit lines, of which €254 million in foreign currency ($300 million, related to the acquisition of PartnerRe).

At 31 December 2018 the amount of commercial paper outstanding is €230 million compares to a maximum amount of €500 million established by the EXOR Euro-Commercial Paper Program on 15 May 2018.

Other financial liabilities (€26 million) mainly consist of the measurement of cash flow hedge derivative instruments.

The net change during the year 2018, a negative €91 million, can be analyzed as follows:

€ million		2018	2017	Change
Net financial position of the Holdings System - Initial amount	Note	**(3,164)**	(3,424)	260
Dividends received from investment	1	138	222	(84)
Asset disposals	2	32	357	(325)
Investments		(22)	(45)	23
Dividends paid by EXOR		(82)	(82)	0
Buyback EXOR treasury stock		(62)	-	(62)
Other changes	3	(95)	(192)	97
Net change during the year		**(91)**	260	(351)
Net financial position of the Holdings System - Final amount		**(3,255)**	(3,164)	(91)

€ million	2018	2017
1. Dividends received from investment	**138**	222
PartnerRe	41	128
Ferrari	31	28
CNH Industrial	51	41
The Economist Group	15	18
Other	0	7
2. Asset disposals	**32**	357
Banca Leonardo	27	-
Other Assets	5	-
The Black Ant Value Fund	-	354
Investment Funds	-	3
3. Other changes	**(95)**	(192)
Net recurring general expenses	(16)	(22)
Non recurring other expenses	(3)	(6)
Net financial expenses	(64)	(95)
Exit tax payment	0	(146)
Translation exchange differences	(13)	48
Other net changes	1	29

At 31 December 2018 EXOR has irrevocable credit lines in Euro of €400 million, of which €250 million expiring after 31 December 2019, as well as revocable credit lines of €487 million.
At the same date EXOR also has credit lines in foreign currency for a total of $90 million (€79 million) of which $50 million (€44 million) expiring after 31 December 2019.
The residual balance of the irrevocable credit line in foreign currency for the acquisition of PartnerRe ($300 million) was fully repaid in January 2018.

EXOR's long-term and short-term debt ratings from Standard & Poor's are "BBB+" and "A-2", respectively, with a "stable outlook".

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

€ million	31/12/2018	31/12/2017	Change
Share capital	**2**	2	0
Reserves	**12,270**	10,803	1,467
Treasury stock	**(62)**	0	(62)
Total	**12,210**	10,805	1,405

Details of changes during the year are as follows:

€ million	
31 December 2017 (as previously reported)	**10,805**
Impact resulting from the adoption of IFRS 9 - Financial Instruments and IFRS15 - Revenue from Contracts with Customers[(a)]	**(33)**
1st January 2018 (as adjusted)	**10,772**
Fair value adjustment to investments and other financial assets	(7)
Measurement of EXOR derivative financial instruments	4
Dividend paid by EXOR	(82)
Buyback EXOR treasury stock	(62)
Attributable to other net changes recorded in equity, shown by EXOR Holding System and operating companies accounted for using the equity method:	
- Exchange differences on translation	145
- Remeasurement of defined benefit plans	126
- Buyback treasury stock	(59)
- Share based compensation	51
- Other	(25)
Consolidated profit attributable to owners of the parent	1,347
Net change during the year	**1,438**
Balance at 31 December 2018	**12,210**

(a) Following the retrospective adoption on 1 January 2018 of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers, EXOR recognized the accumulated transitional effects in retained earnings on the date of initial application. The effects are attributable to FCA (+€6 million) and CNH Industrial (-€39 million).

REVIEW OF THE 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 2018)

Set out below is a summary of the comments included in the Management discussion and analysis sections of the annual reports of the operating subsidiaries.

In order to facilitate readers' use and cross reference to the underlying annual reports of the operating subsidiaries, the financial figures presented are extracted from the financial statements of each subsidiary, as published in their respective reporting currency and with their accounting principles.

Data presented in this section may differ from those prepared for EXOR consolidation purposes.

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

(99.66% of voting rights; 100% interest in common shareholder's equity through EXOR Nederland N.V.)

Data presented and commented below are derived from PartnerRe's consolidated financial information for the year ended 31 December 2018 prepared in accordance with US GAAP.

	Year		
$ million	**2018**	2017	Change
Net premiums written	5,803	5,120	683
Non-life combined ratio [(a)] [(e)]	101.9%	102.3%	
Life and Health allocated underwriting result [(b)] [(e)]	86	68	18
Net investment return	0.1%	4.2%	
Other expenses	306	348	(42)
Net (loss) income attributable to PartnerRe common shareholders [(c)]	(132)	218	(350)
Net Income ROE [(d)]	(2.2)%	3.6%	

(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) Net income ROE is calculated as net income return on average common shareholders' equity.
(e) Effective 1 July 2018 the executive management responsibility and reporting for U.S. Health business was reallocated from the Life and Health segment to the P&C segment as part of an internal organizational change, comparatives have been updated accordingly.

Underwriting result

Net premiums written for the full year 2018 increased to $5.8 billion compared to $5.1 billion in 2017. The increase was primarily due to an increase in Non-Life net premiums written, driven by a 15% increase in the Property and Casualty (P&C) segment and 5% increase in the Specialty segment, as well as a 25% increase in the Life & Health segment. The increase in Life & Health was primarily driven by organic growth and the inclusion of the Aurigen Capital Ltd (Aurigen) life premiums for a full year in 2018 compared to three quarters in 2017, following the acquisition on 2 April 2017.

The Non-life combined ratio of 101.9% for the full year 2018 (102.3% in 2017) was driven by Catastrophic losses of $386 million related to Typhoons Jebi and Trami, Hurricanes Florence and Michael, and California wildfires. These events contributed 9.0 points on the combined ratio in 2018, compared to 14.1 points on the combined ratio in 2017 from losses related to Hurricanes Harvey, Irma and Maria (HIM), and California wildfires of $569 million, net of retrocession and reinstatement premiums.

The Non-life underwriting loss also reflects improvement in attritional losses on the current accident year compared to 2017 and $29 million of other income related to a gain on a commutation transaction of a reserve and reinsurance agreement with Colisee Re during the fourth quarter of 2018. The Non-life combined ratio continued to benefit from net favorable prior year development of $249 million (5.8 points) in 2018 compared to $448 million (11.1 points) for 2017, with both the P&C and Specialty segments experiencing net favorable development.

The Life and Health allocated underwriting result was a gain of $86 million for the full year 2018 compared to a gain of $68 million in 2017, driven by increased profitability and organic growth, including in the acquired Aurigen operation, partially offset by $7 million higher expenses to support the Company's plan to grow the business.

Net investment return for 2018 was $37 million, or 0.1%, which included net investment income of $416 million and interest in earnings of equity method investments of $11 million, partially offset by net realized and unrealized investment losses of $390 million. This compares to a net investment return of $720 million, or 4.2%, for 2017, which included net investment income of $402 million, net realized and unrealized investment gains of $232 million, and interest in earnings of equity method investments of $86 million.

Investments

Net realized and unrealized investment losses of $390 million for the full year 2018 were driven by increases in U.S. risk-free rates and the widening of U.S. and European investment grade corporate spreads. This compares to net realized and unrealized investment gains of $232 million for 2017 which were driven by compression in corporate bond spreads and strong performance in public and private equities, partially offset by the impact of increases in U.S. risk-free rates.

As of 31 December 2018, reinvestment rates were 3.2% compared to the Company's fixed income investment portfolio yield of 2.9% for the fourth quarter of 2018.

Other Income Statement items

Other expenses of $306 million (expense ratio of 5.5%) for the full year 2018 were down $42 million, or 12%, compared to $348 million (expense ratio of 6.9%) for 2017. These decreases were primarily due to lower recurring personnel costs driven by a decrease in full-time equivalent employees as a result of efficiency actions undertaken by the Company, in addition to lower reorganization costs, consulting and facilities costs, partially offset by higher expenses primarily in the Life and Health segment to support the Company's plans to grow the business. The full year 2017 also included $4 million of transaction costs related to the acquisition of Aurigen.

Review of Net income (loss)

Net loss attributable to common shareholder was $132 million for 2018 which was driven by losses related to Typhoons Jebi and Trami, Hurricanes Florence and Michael, and California wildfires of $386 million and net realized and unrealized investment losses on fixed maturities and short-term investments of $376 million, partially offset by net foreign exchange gains of $119 million. This compared to net income of $218 million for 2017, which included losses related to Hurricanes Harvey, Irma and Maria and California wildfires of $569 million, net realized and unrealized investment gains on fixed maturities and short-term investments of $153 million and net foreign exchange losses of $108 million.

Balance sheet and capitalization

$ million	31.12.2018	31.12.2017	Change
Debt	1,412	1,448	(36)
Preferred shares, aggregate liquidation value	704	704	0
Common shareholders' equity	5,812	6,041	(229)
Total Capital	**7,929**	**8,193**	(264)

Total capital of $7.9 billion at 31 December 2018, down 3.2% compared to 31 December 2017, primarily due to the net loss for 2018, dividends on preferred and common shares, the impact of the foreign currency translation adjustment and a decrease in Euro debt from foreign exchange movements.

Debt decreased by $36 million primarily due to the impact of foreign exchange on the Company's Euro denominated debt.
Common shareholder's equity (or book value) of $5.8 billion and tangible book value of $5.2 billion at 31 December 2018 both decreased by 3.8% compared to 31 December 2017, primarily due to the net loss for 2018, dividends on common shares and the foreign currency translation adjustment. Book value, excluding dividends on common shares for 2018, was $5.9 billion at 31 December 2018, down 3.0% compared to 31 December 2017. Dividends declared and paid by PartnerRe to EXOR Nederland N.V. were $48 million for the full year 2018.

Total investments and cash and cash equivalents were $16.3 billion at 31 December 2018, down 1.6% compared to 31 December 2017. The funds held–directly managed account of $0.4 billion and related guaranteed reserves of $0.4 billion as of 31 December 2017 were settled upon commutation of the related business in the fourth quarter of 2018.

Cash and cash equivalents and fixed maturities and short-term investments, which are government issued or investment grade fixed income securities, were $13.5 billion at 31 December 2018, representing 83% of the cash and cash equivalents and total investments.

The average credit rating and expected average duration of the fixed income portfolio at 31 December 2018 was A and 3.9 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 differences between the US GAAP net loss ($132 million) and the IFRS net loss ($124 million) are immaterial and related only to the economic effects of the application of the acquisition method by EXOR to account for the acquisition.

2019 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 some of 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.

FCA

FIAT CHRYSLER AUTOMOBILES

(28.98% stake, 42.11% of voting rights on issued capital)

The key consolidated data of FCA for 2018, including Magneti Marelli, are presented below:

	Year		Change	
€ million	2018	2017	Amount	%
Net revenues	**115,410**	110,934	4,476	+4
Adjusted EBIT[1]	**7,284**	7,054	230	+3
Net Profit	**3,632**	3,510	122	+3
Net Industrial cash (debt)[2]	**1,872**	(2,390)	4,262	n.s.

(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 31 December 2018 and at 31 December 2017. Net industrial cash (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 cash (debt).

Group results – excluding Magneti Marelli

As a result of the announced sale of Magneti Marelli and, in accordance with IFRS, Magneti Marelli is presented as a discontinued operation in the financial statements for the year ended 31 December 2018, with the comparative amounts restated. The remaining Components activities are no longer considered a separate reportable segment and are included within "Other activities".

	Year		Change	
€ million	2018	2017	Amount	%
Net revenues, continuing operations	**110,412**	105,730	4,682	+4
Adjusted EBIT[1], continuing operations	**6,738**	6,609	129	+2
Net Profit from continuing operations	**3,330**	3,291	39	+1
Net Industrial cash (debt)[2]	**1,872**	(2,390)	4,262	n.s.

(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 31 December 2018 and at 31 December 2017. Net industrial cash (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 cash (debt).

Net revenues and Adjusted EBIT

Net revenues			Adjusted EBIT	
Years ended 31 December			Years ended 31 December	
2018	2017	€ million	2018	2017
72,384	66,094	NAFTA	6,230	5,227
8,152	8,004	LATAM	359	151
2,703	3,250	APAC	(296)	172
22,815	22,700	EMEA	406	735
2,663	4,058	Maserati	151	560
1,695	1,624	Other activities, unallocated items and adjustments	(112)	(236)
110,412	**105,730**	**Total continuing operations, excluding Magneti Marelli**	6,738	6,609
4,998	**5,204**	Magneti Marelli, net of inter-company elimination [1]	546	445
115,410	**110,934**	**Total including Magneti Marelli**	7,284	7,054

(1) In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, depreciation and amortization on the assets of Magneti Marelli ceased as at 30 September 2018. The impact of ceasing depreciation and amortization for the three months ended 31 December 2018 was €96 million, net of tax of €20 million.

NAFTA
Higher Net revenues primarily due to positive effects from volumes and net pricing, partially offset by negative foreign currency translation effects. Adjusted EBIT increase due to positive net pricing, favorable mix and higher volumes, partially offset by increased product content and launch costs related to new vehicles.

LATAM
Net revenues up slightly primarily due to higher shipments, mix and net pricing, partially offset by negative foreign exchange translation effects and weakening Argentine peso. Adjusted EBIT increase mainly as a result of higher volumes, favorable mix and positive net pricing, partially offset by negative foreign exchange effects and higher industrial and advertising costs related to new vehicles.

APAC
Net revenues decrease due to unfavorable mix, pricing actions and foreign currency translation effects. Decrease in Adjusted EBIT primarily due to lower net revenues and lower results from China JV, as well as the benefit of the Tianjin port explosions final insurance recovery of €93 million included in prior year results

EMEA
Net revenues flat, with favorable mix offset by lower volumes and negative net pricing. Adjusted EBIT decrease primarily due to negative net pricing, lower volumes and impacts from the transition to WLTP car type approval particularly in the second half of the year, as well as higher advertising to support Jeep brand growth, partially offset by industrial cost savings.

Maserati
Net revenues decrease primarily due to lower volumes and unfavorable market mix. Adjusted EBIT decrease primarily due to lower volumes, increased depreciation and amortization unfavorable FX, partially offset by lower marketing expense.

Net industrial cash (debt)

Up €4.3 billion from 31 December 2017 to a net industrial cash position of €1.9 billion at 31 December 2018, reflecting improved industrial free cash flows partially offset by accelerated discretionary pension contribution.

€ million	31/12/2018	31/12/2017
Debt	**(14,705)**	**(17,971)**
Current financial receivables from jointly-controlled financial services companies	**242**	285
Derivative financial assets (liabilities) net and collateral deposits	**151**	206
Current debt securities	**219**	176
Cash and cash equivalents	**13,175**	12,638
Net Cash (debt)	**(918)**	**(4,666)**
Exclude: Net financial services debt	**2,790**	2,276
Net industrial cash (debt)	**1,872**	**(2,390)**

2019 Outlook[1]

Guidance for 2019 is listed below:

- Adjusted EBIT >€6.7 with margin >6.1%, both up from 2018 (2018:€6.7 billion with margin at 6.1%)
- Adjusted diluted EPS >€2.70, reflecting higher effective tax rate, principally in the U.S. (2018:€3.00 per share)
- Industrial free cash flows >€1.5 billion, down from 2018 due to higher capital expenditures and cash payments for fines and other costs in connection with the U.S. diesel emissions settlement (2018: €4.4 billion).

(1) Amounts do not include any impacts from the spin-off of the Magneti Marelli business.

Ferrari

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

Key consolidated data of Ferrari reported in the year 2018 are as follows:

	Year		Change
€ milioni	2018	2017	amount
Shipments (in units)	**9,251**	8,398	853
Net revenues	**3,420**	3,417	3
EBIT	**826**	775	51
Adjusted EBIT(1)	**825**	775	50
Net profit	**787**	537	250
Net Industrial debt(2)	**340**	473	(133)

(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 section below.

Shipments

Shipments totaled 9,251 units in the year 2018 with an increase of 853 units (+10.2%) compared to the prior year. This achievement was driven by a 19.6% increase in sales of the 12-cylinder models (V12), while the 8-cylinder models (V8) grew by 7.3%. The V12 performance was mainly led by the 812 Superfast, partially offset by lower sales of La Ferrari Aperta that finished its limited series run. V8 performance was led by the ramp up of the Ferrari Portofino as well as the newly launched special series 488 Pista.

	Year			
units	2018	2017	Change	
EMEA	**4,227**	3,737	490	13%
Americas	**3,000**	2,811	189	7%
China, Hong Kong and Taiwan	**695**	617	78	13%
Rest of APAC	**1,329**	1,233	96	8%
Shipments	**9,251**	8,398	853	10%

Net revenues

Net revenues for 2018 increased by a few million to €3,420 million (+0.1% at current currency and +3.2% at constant currency compared to the prior year.

Revenues in Cars and spare parts were €2.535 million (+3.2% at current currency or +6.9% at constant currency compared to prior year), supported by higher volumes led by the 812 Superfast, as well as the ramp up of the Ferrari Portofino and the 488 Pista. Additionally, pricing and personalization programs positively contributed along with deliveries of the Ferrari J50 and first deliveries of the FXX K EVO, which was partially offset by lower sales of LaFerrari Aperta.

The erosion in Engines revenues (€284 million, -23.8% at current currency and constant currency) reflected lower shipments to Maserati.

Sponsorship, commercial and brand revenues (€506 million, +2.4% at current currency or 5.3% at constant currency) were up thanks to stronger revenues from sponsorship as well as a higher 2017 championship ranking compared to 2016, partially offset by lower sales generated by other brand related activities.

€ million	Year		Change at	
	2018	2017	current currency	constant currency
Car and spare parts	**2,535**	2,456	79	2,377
Engines	**284**	373	(89)	462
Sponsorship, commercial and brand	**506**	494	12	482
Other	**95**	94	1	93
Net revenues	**3,420**	3,417	3	3,414

EBIT

EBIT for 2018 was €826 million, an increase of €51 million, (+6.6%), from €775 million for 2017; the increase in EBIT was primarily attributable to the combined effects of positive volume impact (€118 million): a positive contribution from other supporting activities of €26 million, a decrease in research and development costs of €14 million and in selling, general and administrative costs of €2 million, partially offset by a negative product mix of €17 million and negative foreign currency exchange impact of €92 million (including foreign currency hedging instruments) primarily driven by fluctuations in the U.S. Dollar, the Pound Sterling and the Japanese Yen compared to the Euro).

The positive volume impact of €118 million was attributable to an increase in total shipments, driven by the 812 Superfast, the Ferrari Portofino and the 488 Pista. The negative product mix of €17 million was primarily attributable to the combined impact of lower sales of LaFerrari Aperta and the strong performance of the Ferrari Portofino, partially offset by the 812 Superfast, as well as pricing increases and deliveries of the strictly limited-edition Ferrari J50 and the FXX K EVO. The positive contribution from other supporting activities of €26 million was primarily attributable to sponsorship activities, a higher 2017 championship ranking compared to 2016 and a favorable ruling on a prior year's legal dispute, partially offset by a lower contribution from other brand related activities and engines supplied to Maserati.

Net industrial debt

Net industrial debt at 31 December 2018, after €100 million of share buybacks, was €340 million (-28.0%) compared to €473 million at 31 December 2017.

€ million	31/12/2018	30/06/2018	31/12/2017
Net industrial debt(1)	**(340)**	(472)	(473)
Funded portion of the self-liquidating financial receivables portfolio	**793**	731	685
Net debt	**(1,133)**	(1,203)	(1,158)
Cash and cash equivalents	**794**	650	648
Gross debt	**(1,927)**	(1,853)	(1,806)

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

2019 Outlook

Ferrari Group is expecting the following performance in 2019:

- Net revenues: more than €3.5 billion, over 3% growth compared to 2018
- Adjusted EBITDA: €1.2 billion – €1.25 billion, approximately 10% growth compared to 2018
- Adjusted EBIT: €0.85 billion – €0.9 billion, approximately 6% growth compared to 2018
- Adjusted diluted EPS: €3.50 – €3.70 per share, approximately 6% growth compared to 2018
- Industrial free cash flow: approximately €0.45 billion, over 10% growth compared to 2018

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

Key consolidated data of CNH Industrial for the year 2018 are as follows:

	Year		Change
$ million	**2018**	2017 [(1)]	
Revenues	**29,736**	27,624	2,112
Revenues in €	***25,179***	*24,739*	*440*
Adjusted EBIT[(2)]	**2,028**	1,507	521
Net income (loss)[(3)]	**1,399**	456	943
of which attributable to owners the parents	***1,368***	*439*	*929*
Net Industrial Debt[(4)]	**(640)**	(1,023)	383

(1) 2017 data have been recast following the retrospective adoption, on 1 January 2018, of the updated accounting standard for revenue recognition (IFRS 15).
(2) Adjusted EBIT is a non-GAAP financial measure used to measure performance. Adjusted EBIT is defined as profit/(loss) before taxes, financial income (expense) of financial activities, restructuring costs, and certain non- recurring items.
(3) 2018 includes a gain of €446 million related to the modification of a healthcare plan in the U.S.
(4) Net Industrial debt is defined as net debt excluding the funded portion of the self-liquidating financial receivables portfolio.

Revenues

Revenues in the year 2018 were $29.736 million, an increase of 7.6% (up 8.5% on a constant currency basis) compared to 2017, primarily due to an improvement in net revenues in each segment of Industrial Activities which were $27,927 million in 2018, an increase of 8.4% (up 9.1% on a constant currency basis) compared to the prior year.
Net revenues for Agricultural Equipment were $11,786 million in 2018, a 10.3% increase (up 13.5% on a constant currency basis) compared to 2017. The increase was driven by a sustained price realization performance, coupled with a stabilization of end-user demand in most of our markets, including emerging evidence of a replacement cycle in the row crop sector in North America. For 2018, worldwide agricultural equipment industry unit sales increased 3%. In North America, industry volumes in the over 140 h.p. tractor market sector were up 5% and combines were up 10%. Industry volumes for under 140 h.p. tractors were up 6%. EMEA markets were down 8% for tractors and up 4% for combines. LATAM tractor industry volumes decreased 1% and combine industry volumes increased 10%. APAC markets increased 3% for tractors and 2% for combines.

Net revenues for Construction Equipment were $3,021 million in 2018, a 19.4% increase (up 20.2% on a constant currency basis) compared to 2017, primarily due to increased end-user demand in all regions and favorable net price realization. In 2018, Construction Equipment’s worldwide heavy industry volumes were up 20% and light industry volumes were up 17% compared to 2017. Overall industry volumes increased in all regions.

Commercial Vehicles net revenues were $10,933 million in 2018, an increase of 3.5% compared to 2017 (up 2.4% on a constant currency basis), as a result of positive pricing and a favorable product mix.

Powertrain net revenues were $4,557 million in 2018, an increase of 4.3% (up 2.8% on a constant currency basis) compared to 2017, due to higher sales volume in engine applications. Sales to external customers accounted for 50% of total net revenues (48% in 2017).

Financial Services reported net revenues of $1,996 million in 2018, a 1.6% decrease (up 1.7% on a constant currency basis) compared to 2017, primarily due to a lower average portfolio balance in North America.

$ million	Year 2018	2017 (1)	% change
Agricultural Equipment	**11,786**	10,683	10.3
Construction Equipment	**3,021**	2,530	19.4
Commercial Vehicles	**10,933**	10,562	3.5
Powertrain	**4,557**	4,371	4.3
Eliminations and other	**(2,370)**	(2,375)	-
Total Industrial Activities	**27,927**	25,771	8.4
Financial Services	**1,996**	2,028	-1.6
Eliminations and other	**(187)**	(175)	-
Revenues	**29,736**	27,624	7.6

(1) 2017 data have been recast following the retrospective adoption, on 1 January 2018, of the updated accounting standard for revenue recognition (IFRS 15).

Adjusted EBIT

Adjusted EBIT of Industrial Activities was up 48.1% to $1,496 million in 2018, compared to $1,010 million in 2017, with an Adjusted EBIT margin of 5.4%, up 1.5 percentage points ("p.p.") compared to 2017.

Adjusted EBIT for Agricultural Equipment was $1,098 million in 2018, a $386 million increase compared to $712 million in 2017. The increase was mainly due to positive net price realization and favorable volume in most of our regions. Adjusted EBIT margin increased 2.6 p.p. to 9.3%. The Company continues to invest in its product development program for precision farming and compliance with Stage V emissions requirements.

Adjusted EBIT of Construction Equipment was $69 million in 2018, a $120 million increase compared to 2017. Adjusted EBIT margin increased 4.3 p.p. to 2.3%. The increase was due to higher sales volume, favorable mix and positive net price realization, more than offsetting raw material cost increases, mainly in North America.

Adjusted EBIT of Commercial Vehicles was $285 million in 2018, a 57.5% increase compared to 2017, mainly due to a favorable product mix in light duty trucks and buses, and to the focus on sales of alternative propulsion solutions in heavy duty trucks. Positive price realization in trucks and manufacturing efficiencies also contributed to the improved results. Adjusted EBIT margin increased 0.9 p.p. to 2.6%.

Adjusted EBIT of Powertrain was $385 million in 2018, a $23 million increase compared to $362 million in 2017. The improvement was mainly due to a favorable product mix and manufacturing efficiencies, partially offset by higher product development spending. Adjusted EBIT margin increased 0.1 p.p. to 8.4% compared to 2017.

$ million	Year 2018	2017 (1)	Change amount	*2018 adjusted EBIT margin*	*2017 adjusted EBIT margin*
Agricultural Equipment	**1,098**	712	386	9.3%	6.7%
Construction Equipment	**69**	(51)	120	2.3%	-2.0%
Commercial Vehicles	**285**	181	104	2.6%	1.7%
Powertrain	**385**	362	23	8.4%	8.3%
Unallocated items, eliminations and other	**(341)**	(194)	(147)	-	-
Total Industrial Activities	**1,496**	1,010	486	5.4%	3.9%
Financial Services	**532**	497	35	26.7%	24.5%
Eliminations and other	**-**	-	-	-	-
Adjusted EBIT	**2,028**	1,507	521	6.8%	5.5%

(1) Concurrently with the changes following the adoption of the new accounting standards, CNH Industrial reviewed the metrics on which the operating segments will be assessed. Starting in 2018, the Chief Operating Decision Maker began to assess segment performance and make decisions about resource allocation based upon Adjusted EBIT and Adjusted EBITDA.

Net industrial debt

Net industrial debt at 31 December 2018 was $640 million compared to $1,023 million at 31 December 2017. The decrease was primarily due to a significant cash generation from operating activities of $0.6 billion and to positive foreign exchange translation impacts on euro denominated debt, partially offset by dividend payments and by purchase of treasury shares.

$ million		31/12/2018	31/12/2017 [1]	Change
Third party debt[1]		**(24,543)**	(26,014)	1,471
Cash and cash equivalents		**5,803**	6,200	(397)
Other/financial asset/(liabilities)[2]		**(10)**	(21)	11
(Net debt)/Cash[3]		**(18,750)**	(19,835)	1,085
	Industrial Activities	**(640)**	(1,023)	383
	Financial Services	**(18,110)**	(18,812)	702

(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 $71 million and $642 million as of 31 December 2018 and 31 December 2017, respectively.

2019 Outlook (US GAAP)[1]

The performance achieved in 2018 confirms CNH Industrial on track with a profitable growth trajectory, despite a softer macroeconomic and business environment in the second part of the year, caused by escalating trade tensions and related tariffs across global markets, other economic and political uncertainties (including those concerning the outcome of the Brexit negotiations), and a general expectation of a slowdown in global economic growth. In addition, the emerging megatrends in the industries where CNH Industrial competes, such as digitalization, automation, and electrification, entail a re-assessment of the go to market approach and of the capital investment requirements in new technologies for new products and customer solutions. Subject to this evolving scenario, CNH Industrial is defining 2019 guidance as follows:

- Net sales of Industrial Activities at approximately $28 billion
- Adjusted diluted EPS[2] up between 5% and 10% to previous year at a range of $0.84 to $0.88 per share
- Net industrial debt at the end of 2019 between $0.4 billion and $0.2 billion, with investments in research and development expected to increase over 5% and in capital expenditures by over 25% compared to 2018, with a growing portion of this spend to support development on key megatrends (digitalization, electrification, automation and servitization) and engine regulatory capital investments.

(1) 2019 guidance does not include any impacts deriving from the gain resulting from the modification of the healthcare plan in the U.S. previously mentioned and anticipated on April 16, 2018, as this gain has been considered non-recurring and therefore treated as an adjusting item for the purpose of the adjusted diluted EPS calculation. In addition, 2019 guidance does not include any impacts deriving from possible further repurchases of Company's shares under the plan authorized by the AGM on 13 April 2018.

(2) Outlook is not provided on diluted EPS, the most comparable GAAP financial measure of this non-GAAP financial measure, as the income or expense excluded from the calculation of adjusted diluted EPS and instead included in the calculation of diluted EPS are, by definition, not predictable and uncertain.

(63.77% of share capital)

The results for the first half of the financial year 2018/2019 of Juventus Football Club S.p.A. are as follow:

	I Half		
€ million	**2018/2019**	2017/2018	Change
Revenues	**330**	291	39
Operating costs	**(227)**	(179)	(48)
Operating income	**17**	51	(34)
Profit for the period	**7**	43	(36)

€ million	**31/12/2018**	31/12/2017	Change
Shareholders' equity	**80**	137	(57)
Net financial debt	**384**	280	104

For a correct interpretation of the data it should be noted that the financial year of Juventus does not coincide with the calendar year but runs 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 2018/2019.
Interim data prepared only for EXOR consolidated reporting purpose and cannot be construed as representing the basis for a Juventus full-year projection.
Profit performance is characterized by the highly seasonal nature typical of the sector, determined mainly by the calendar of football events and the two phases of the players' Transfer Campaign.
The financial position and cash flows 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 2018/2019 financial year closed with a profit of €7 million, posting a negative change of €36 million compared to the profit of €43 million registered in the same period of the prior year.
The negative change was mainly due to lower revenues from players' registration rights, down €18 million, increased costs for players and staff for €38 million, higher amortization and depreciation on players' rights for €25 million, increased costs for the acquisition of materials intended for sale for €6 million, increased other expenses for €3 million, increased costs for external services for €3 million and increased in other costs for €3 million. These changes were partially offset by increased operating revenues, €57 million, and lower expenses from players' registration rights, down €4 million. Other negative changes of €1 million concerned principally increased provisions.

2019 Outlook

The 2018/2019 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 2019 OUTLOOK

SUBSEQUENT EVENTS AND 2019 OUTLOOK

Subsequent events of the Holdings System

EXOR share buyback Program

In the course of 2019 EXOR continued to purchase ordinary shares under the program approved for a total amount of € 94,623 thousand.
At 15 March 2019, the Company holds 8,414,646 ordinary shares in treasury (3.49% of issued capital).

Dividends and distribution of reserves received in the year 2019

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 (€)	Dividends Total (€ml)
FCA N.V.[(a)]	ordinary	449,410,092	0.65	292
CNH Industrial N.V.	ordinary	366,927,900	0.18	66
Ferrari N.V.	ordinary	44,435,280	1.03	46
PartnerRe Ltd.[(b)]	common	100,000,000	n/a	70
Holdings System's share of dividends				**474**

(a) FCA has declared the intention to distribute an extraordinary dividend of €2 billion (EXOR pro-quota approx. €580 million) after the closing of Magneti Marelli disposal.
(b) $ 80 million converted at the exchange rate of €/$ 1.387 at 21 March 2019.

2019 Outlook

EXOR N.V. does not prepare budgets or business plans nor does it publish forecast data or data on the basis of which it is possible to calculate forecast data.

Certain EXOR operating subsidiaries (FCA, Ferrari and CNH Industrial) publish forecast data on their performance. Other operating subsidiaries (PartnerRe and Juventus Football Club) publish information on the foreseeable outlook. Additional information is provided under "Review of performance of the Operating Subsidiaries" in the Board Report.
The forecast data and information of the 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 the conventional application practices in the respective sector of reference.
EXOR N.V. in fact, is a holding company without a specific business of reference, head of a diversified and non-integrated group that operates in different segments and does not exercise direction and coordination activities over its subsidiaries, which operate in a completely independent manner.

EXOR N.V. deems that the forecast data and information of the subsidiaries are not significant or suitable for the purposes of providing indications about the prospective economic trend of EXOR N.V.'s operations nor represent a forecast or estimate of the company's results 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.

27 March 2019

The Board of Directors

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

Annemiek Fentener Van Vlissingen

António Horta-Osório

MAJOR SHAREHOLDERS AND OWNERSHIP STRUCTURE

MAJOR SHAREHOLDERS AND OWNERSHIP STRUCTURE

Introduction

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

Capital Structure

Structure of share capital

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

Treasury shares per 31 December 2018 held by the Company: 6,709,893.

Economic and administrative rights

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

Issuance of shares

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

Shares may be issued pursuant to a resolution of the Board of Directors, if and insofar as the Board of Directors is designated to do so by the general meeting of shareholders. Such designation can be made each time for a maximum period of five years and can be extended each time for a maximum period of five years. A designation must determine the number of shares of each class concerned which may be issued pursuant to a resolution of the Board of Directors.
A resolution of the general meeting of shareholders to designate the Board of Directors as a body of the Company authorized to issue shares can only be withdrawn upon proposal of the Board of Directors.

By means of the resolution adopted by the general meeting on 24 November 2016, the Board of Directors has been designated as the competent body to issue ordinary shares and to grant rights to subscribe for shares for a term of five (5) years with effect from 11 December 2016. The Board of Directors has been authorized to increase the share capital with such number of shares for a nominal value up to five million Euro (Euro 5,000,000.00) and to issue convertible bonds for an aggregate issue price up to one billion Euro (Euro 1,000,000,000.00), and to issue the underlying ordinary shares (or granting of rights to subscribe for such underlying ordinary shares) pursuant to the applicable conversion ratio.

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

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

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

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

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

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

Special Voting Structure

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

More precisely, according to the Special Voting Structure:

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

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

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

Application for Special Voting Shares – Loyalty Register

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

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

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

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

Allocation of Special Voting Shares

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

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

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

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

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

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

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

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

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

Other characteristics of Special Voting Shares

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

However, the holder of Special Voting Shares issued at the expense of the Special Capital Reserve may at any time substitute the charge of the Special Capital Reserve by making an actual payment to the Company in respect of the shares concerned (in accordance with payment instructions provided by the Board of Directors on request) in an amount equal to the nominal value of such Special Voting Shares (such shares being defined as "Special Voting Shares paid-up in cash").
As anticipated, Special Voting Shares have minimal economic entitlement. Under Dutch law, in fact, Special Voting Shares cannot be excluded – as a whole – from the assignment of economic rights. Consequently, in accordance with Article 28.2 of the Articles of Association, holders of Special Voting Shares paid-up in cash will be entitled to the payment of an annual dividend equal to one per cent (1%) of the amount actually paid for such shares in accordance with the above, provided, however, that profits realized with respect to the financial year concerned are not fully appropriated to increase and/or form reserves. Actual payments made during the financial year to which the dividend relates will not be counted.
In case of liquidation of the Company, out of the balance remaining after payment of its debts, the following payments will be proceeded:

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

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

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

Repurchase of Shares

The Board of Directors has been authorized, by the annual general meeting of shareholders held on 29 May 2018, 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 or its subsidiaries no voting rights may be exercised and no payments will be made on shares held by the Company or its subsidiaries. Subject to meeting certain conditions, EXOR ordinary shares can be registered in the Loyalty Register to become eligible for Special Voting Shares.

On 14 November 2018 the Company announced a share buyback program (the "Program") will involve the repurchase from time to time of up to €300 million of ordinary shares and is intended to optimize the Company's capital structure. This amount represents approximately 50% of the extraordinary dividend that is expected to be paid by Fiat Chrysler Automobiles N.V. ("FCA") to the Company following the disposal of Magneti Marelli.

The Program will be conducted in the framework of the resolution adopted by the Annual General Meeting of Shareholders ("AGM") held on 29 May 2018, which authorized the repurchase of up to a maximum amount of €500 million of ordinary shares during the 18 month period following the date of the AGM and up to a maximum number of shares not to exceed the limits set by law. The repurchase price per share, excluding expenses, will not exceed by more than 10% the official reference price recorded on the Italian Stock Exchange (MTA) on the day before each transaction is made.

The Program will expire on 29 November 2019, or until such authority is extended or renewed before such date.

Decisions regarding the actual transactions including but not limited to the timing, number and value of ordinary shares repurchased, will be at the sole discretion of the Company. The Company is not obliged to carry out the Program and, if implemented, the Program may be suspended, discontinued or modified at any time, for any reason and without previous notice, in accordance with applicable laws and regulations.

The repurchases will be carried out in compliance with applicable rules and regulations, including the Market Abuse Regulation 596/2014 and the Commission Delegated Regulation (EU) 2016/1052.

Details of the transactions carried out will be disclosed to the market within the terms and conditions required by the current and applicable regulations.

At 15 March 2019, the Company holds 8,414,646 ordinary shares in treasury (3.49% of issued capital).

Restrictions on the transfer of shares

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

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

Restrictions on voting rights

There are no restrictions on voting rights.

Shareholders

Significant shareholdings

Based on the regulatory filings with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") the following entities own as of 31 December 2018, 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.	3.01%

In total five shareholders, under which Giovanni Agnelli B.V., are registered, for a total amount of 128,944,325 shares, in the Loyalty Register to participate in the Special Voting Structure, as explained above.

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

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

Employee shareholdings: system for the exercise of voting rights

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

Shareholder agreements

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

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

Any change in control of the Company [2] would entitle subscribers of the following bonds outstanding at 31 December 2018 to demand early repayment.

- Non-convertible bond issue 2012/2019 of €150 million
- Non-convertible bond issue 2013/2020 of €200 million
- Non-convertible bond issue 2015/2022 of €750 million
- Non-convertible bond issue 2014/2024 of €650 million
- Non-convertible bond issue 2012/2025 of €100 million
- Non-convertible bond issue 2015/2025 of €450 million
- Non-convertible bond issue 2016/2026 of $170 million
- Non-convertible bond issue 2018/2028 of €500 million
- Non-convertible bond issue 2011/2031 of ¥10 billion
- Non-convertible bond issue 2018/2038 of €200 million.

In addition, three lending banks would have the right to demand the cancellation of four irrevocable lines of credit totaling €300 million, which, however, were unutilized as of 31 December 2018.

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

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

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

RISK MANAGEMENT, RISK AND CONTROL SYSTEM

RISK MANAGEMENT, RISKS AND CONTROL SYSTEM

To assess the risk inherent to the Company's activities and to the effectiveness of the internal control system EXOR has in place an internal control and risk management system based on the model provided by the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission Report – Enterprise Risk Management model) and the principles of the Dutch Corporate Governance Code (hereafter also the "System"). The system consists of a set of policies, procedures, rules and organizational structures which 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 within the organization and governance structure adopted by EXOR and is developed giving adequate consideration to the reference models and the best practices available nationally and internationally.

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

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

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

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

Internal control and external control over financial reporting

The System over financial reporting is set in a broader framework of the internal control and risk management and has the purpose of ensuring the reliability, accuracy, completeness and timeliness of the Group's financial information.
The System of internal controls over financial reporting is focused on the procedures and organizational structures which ensure the reliability, accuracy, completeness and timeliness of financial reporting.

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

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

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

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

Internal control covering the preparation and processing of financial information

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

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

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

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

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

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

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

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

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

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

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

Risk Management

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

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

The Audit Committee monitors the effectiveness of the Company's internal control and ERM system. The Audit Committee, together with executive management, every other year performs a thorough exercise for the identification of the main risks and their ranking. In 2017 a detailed risk assessment and update of the risk profile was performed and in 2018 a re-assessment of the relevant risks and risk appetite has been performed.

The ERM system is integrated within the Company's organization and corporate governance, supporting the efficiency and effectiveness of business processes, the reliability of financial information and compliance with laws and regulations. An effective ERM system contributes to the conduct of the business in a manner consistent with its objectives and facilitates well-informed decision-making.
In this context, the Board of Directors is responsible for the identification of the risks to which EXOR and the "Holdings System" are exposed to in relation to the business objectives and Company characteristics, and for performing an assessment of the possible risk scenarios mitigation, considering the effectiveness of the control process currently in place.
The EXOR ERM system is subject to verification and updating over time in order to ensure its constant suitability as an instrument of control over the business's principal areas of risk.

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

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

Risk Appetite

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

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

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

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

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

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

Key Risks and Key trends

As a part of the 2018 risk assessment process, management re-assessed the risks identified in 2017 as significant. Based on the potential business impact and likelihood of occurrence, as well as existing and/or planned countermeasures (mitigating actions) the risks have been reviewed and updated where needed. The risk impact could result in a material direct or indirect adverse effect on its business, operations, financial condition and performance, reputation and/or other interests. The results of this assessment were presented to the Audit Committee on 6 September 2018 and to the Board of Directors on 13 November 2018.

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

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

Risk Event	Risk Description	Control/Mitigation Activities
Dividend risk (Cash Flow) / underperformance of subsidiaries (Financial risks)	Risk of holding shares in companies that do not generate a cash flow of dividends sufficient to manage operating costs and net financial expenses of EXOR. The risk of underperformance of the subsidiaries has been combined with the dividend risk, as underperformance and divided are related to each other/connected.	Careful management of cash in / cash out and investment portfolio diversification. EXOR maintains an adequate cash flow management by performing cash flow analysis, adjusting and monitoring the flows on a regular basis. The Company risk management approach mixes a wide variety of investments within the portfolio thus mitigating unsystematic risk events in the collection of dividends from the investments.
Portfolio composition (Strategic/operational risk)	Risk that investment decisions do not allow EXOR to (i) obtain a return on investments that will increase the Net Asset Value (NAV) per share, surpassing the MSCI World Index in USD; and (ii) define an adequate portfolio mix in terms of diversification of the investments, resulting in difficulties in optimizing the Group's future performance.	The Company risk management approach mixes a wide variety of investments within the portfolio. The Company portfolio consists of different kinds of investments, consequently characterized by an overall lower risk level. Company investment procedures ensure adequate evaluation also in relation to portfolio composition.
Stock market performance (Strategic risk)	Risk that fluctuations in the stock market can affect the value of investments.	Asset allocation. The Company risk management approach mixes a wide variety of investments within the portfolio. The Company portfolio is composed of diversified and different kind of investment, consequently characterized by an overall lower risk level. The diversification by sector and geographic for example mitigates unsystematic risk events in the portfolio, so the positive performance of some investments neutralizes the negative performance of others.
Loss of key personnel (Operational risk)	The risk of losing key resources (in EXOR or subsidiary companies) or having inadequate succession planning.	Attract, retain and motivate directors as well as employees and other individuals having business relationships with EXOR to reward such persons for their loyalty and commitment to the long-term value creation. Succession plans and management of concentration responsibility.

Risk Factors

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

RISKS RELATED TO BUSINESS, STRATEGY AND OPERATIONS

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

The earnings and financial position of EXOR and its subsidiaries are affected by the performance of financial markets and macroeconomic variables over which EXOR exercises little or no control.
EXOR is subject to risks inherent in operating globally, including those related to:

- exposure to local economic and political conditions;
- import and/or export restrictions
- multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries;
- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on the repatriation of funds; 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 referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union. It remains unclear when a withdrawal agreement, or any alternative agreement will be finalized and ratified.

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

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

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 relating to the business, operations and profitability of EXOR

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

EXOR does not have operations or significant assets other than the capital stock of its subsidiaries and other intercompany balances. EXOR has cash outflows in the form of other expenses, payments on its indebtedness and dividends to its shareholders. EXOR relies primarily on cash dividends and payments from its subsidiaries to meet its cash outflows. In particular, EXOR does not have a significant operating business of its own and, accordingly, EXOR financial condition depends upon the results of its investment activities, including the receipt of funds by other members of the Group. EXOR expects future dividends and other permitted payments from its subsidiaries to be the principal source of funds to repay its indebtedness and to pay expenses and dividends. The ability of EXOR's subsidiaries to make such payments (in the form of dividends and intercompany payments) depends on their economic performance and financial condition and may also be limited by contractual or regulatory constraints. No assurance can be given that EXOR will receive adequate funding to maintain its financial condition.
The financial results of the EXOR Group and of EXOR are no indicators of the future profitability of EXOR. For the 2018 financial statements, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1 - Presentation of Financial Statements) exist about its ability to continue as a going concern.
There can be no assurance concerning the profitability of EXOR in future periods.

Risks associated with the distribution of dividends

The distribution of dividends by EXOR and the amount of such dividends depend on the Company's future profits which in turn depend on the dividends distributed by EXOR's subsidiaries and affiliates and on the gains realized on divestments of these companies, events which by their nature are neither periodic nor recurrent. Accordingly, EXOR's results in different financial years may not be regular and/or comparable. Where investments have been made having recourse to debt financing, part of the resources arising from the divestment will, as a priority, be applied in repayment of such debt and only the remaining part may be used for the distribution of dividends.
It will be recalled that under the merger agreement relating to the PartnerRe acquisition, there is a restriction on payment of dividends on common shares declared with respect to any fiscal quarter to an amount not exceeding 67% of the net income during such fiscal quarter until 31 December 2020. As explained in the paragraph of PartnerRe's Risk factors, the dividends distribution from PartnerRe depends also on the company's capital requirements including the regulatory requirements.
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.
EXOR's ability to access capital markets and the cost of borrowing in those markets is highly dependent on its credit ratings. The rating agencies may review their ratings for possible downgrades and any downgrades would increase the Issuer's cost of capital, potentially limiting its access to sources of financing, and could negatively affect its businesses.

Risks associated with market conditions

EXOR holds investments in both publicly listed companies and unlisted companies. The value of the investments in listed companies is based on their market prices, whereas for investments in unlisted companies one of the methods used to value the shareholdings is based on multiples of comparable listed companies. Therefore, changes in prices and market conditions can negatively impact the value of EXOR's business operations. A substantial weakening of equity and/or bond markets or changes in interest rates and/or currency exchange rates could impact negatively on the value of EXOR's businesses.
Further, the operating costs which EXOR incurs cannot be reduced with the same speed as a fall or unabated decline in financial markets and, in the case of inadequately efficient cost management, this could negatively impact the financial results of EXOR.

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

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

Exposure to financial counterparty risk

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

Risks associated with the consolidated indebtedness of the EXOR Group

The overall amount of the consolidated indebtedness of the EXOR Group could have a significant negative impact on the business and the financial performance of EXOR and of the EXOR Group. A deterioration in market conditions, which the companies of the Group were not able to tackle rapidly, could have negative effects on revenues and cash flows of Group companies; such a situation could result in higher financial charges with a consequent negative impact on the profitability of such Group companies and as a consequence on the flow of dividends and other payments to EXOR. The deterioration of the economic and financial position of the Group companies could, also, have negative effects on the possibility of accessing sources of additional funding for the achievement of the business objectives of EXOR and of the Group companies, for capital expenditure, working capital and the repayment of debt as well as on the cost of the latter; such circumstances could render the Group more vulnerable. Further, if EXOR and the other companies in the Group should fail to generate the financial resources necessary to repay debt within the terms agreed, they would be compelled to seek other financial resources or to refinance or renegotiate existing debt on more onerous terms and conditions, with the consequent limitation of available funds and the increase of the related costs. Any difficulty in obtaining financing could have a significant impact on the Group, its business prospects and its profits. It should be noted that EXOR has not given any guarantees regarding the indebtedness of its operating subsidiaries and affiliates.

Risks associated with acquisitions and disposals

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

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

Risks associated with the investment portfolio and the concentration of investments

EXOR is a diversified holding company 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, 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 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.
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 has depended, and will continue to depend, partly upon the ability to attract and retain management personnel and its abilities to manage efficiently EXOR and the EXOR Group. If the EXOR Group should lose the contribution of key executives, this could have a significant negative effect on the business prospects as well as the financial results and/or financial position.
Furthermore, if one or more managers should resign from service with EXOR or with EXOR's investee companies and should it not be possible to adequately replace them in a timely manner with persons of equal skill and experience, the competitive capacity of such companies could diminish with potentially negative effects on the business and on the ability to replicate the results achieved in the past.

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

The Shortened Consolidation data is prepared by EXOR on the basis of a "shortened" method of consolidation in which the data derived from the IFRS financial statements of EXOR and of the subsidiaries of the Holdings System: Exor Nederland N.V. (the Netherlands); EXOR S.A. (Luxemburg); Ancom USA Inc. (USA); Exor SN LLC (USA); Exor Investments Limited (United Kingdom); Exor Investment (UK) LLP (United Kingdom) are included in the financial statements of the parent company EXOR using the line-by-line method, while the data derived from the financial statements prepared in accordance with IFRS of the operating subsidiaries and affiliates (PartnerRe, FCA, CNH Industrial, Ferrari, Juventus Football Club, The Economist Group and Welltec) are included in the financial statements of the parent company EXOR using the equity method.
While the data and information prepared using the shortened consolidation method are recognized by the financial community, by financial counterparties and by the ratings agencies, and EXOR believes that these data and information facilitate analysis of the financial position and results of EXOR, such data do not fully represent, nor should be treated as the consolidated financial position of the EXOR Group prepared in accordance with International Financial Reporting Standards (IFRS). In fact the shortened consolidation method is not contemplated in the reference accounting standards on the presentation of consolidated financial statements and may not be consistent with the method adopted by other groups and, therefore, such data may not be comparable with the data reported by such groups.
The consolidated data prepared in shortened form are not audited by the independent auditors.

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

It should be noted that the merged company, EXOR S.p.A. was taxable for IRES and IRAP purposes up until the legally effective date of the Merger.
For Italian tax purposes the Merger qualifies as an intra-community cross-border merger as defined by the Italian tax regulations (TUIR) which implemented E.U. Council Directive 1990/434 dated 23 July 1990 on the common system of taxation to be applied to mergers, de-mergers, transfers of assets and share exchanges involving companies of differing Member States (consolidated in E.U. Council Directive 2009/133 dated 12 October 2009, the "Merger Directive").
The Italian tax regulations provide for the fiscal neutrality of the intra-community merger with respect to assets and liabilities which remain connected with a permanent organization in Italy, providing, conversely, that elements which do not remain connected with a permanent organization in Italy are deemed to be realized at fair value. Considering that EXOR N.V. has not maintained a permanent organization in Italy after the Merger, all the components of EXOR S.p.A. (including investments in companies, financial liabilities and tax-suspended reserves) have been treated as having been realized at fair value, resulting in the crystallization of taxable surpluses ("EXIT gains") in the financial position at the 10 December 2016 merger date.

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

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

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

RISKS RELATED TO THE COMMON SHARES

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 2018.

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

The provisions of the Articles of Association which establish the Special Voting Structure, allowing qualifying shareholders to exercise up to 5 or 10 voting rights for each EXOR common share held, may make it more difficult to acquire, or attempt to acquire, control of EXOR and prevent or discourage any initiatives seeking to change EXOR's management, even if a change of control were considered favorably by shareholders holding the majority of the EXOR common shares.
The Special Voting Structure may prevent or discourage initiatives of shareholders seeking to change the ownership structure or the strategy of EXOR or to exercise their influence and also may prevent or discourage initiatives of shareholders seeking to bring about changes in the company's management.
Shareholders who hold a significant quantity of EXOR common shares for the uninterrupted periods prescribed in the Articles of Association and who request special voting shares could be in a position to exercise a significant quota of voting rights at meetings of shareholders and to have substantial influence over EXOR.
Based on the most recent information available Giovanni Agnelli B.V. holds 52.99% of the issued capital of EXOR, such that its control is not at present contestable.

It should be recalled, however, that the Special Voting Structure will commence to have its effect only when five years have passed from the date of adoption of the new Articles of Association following the merger's becoming effective, assuming that the holders of EXOR common shares satisfy the conditions for requesting Special Voting Shares. 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.

CORPORATE GOVERNANCE

GOVERNANCE

Introduction

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

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

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

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

Corporate Offices and Home Member State

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

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

BOARD OF DIRECTORS

Pursuant to the Articles of Association, the total number of directors must be at least seven and at most nineteen (the "Directors"). Pursuant to the annual general meeting of shareholders held on 30 May 2017 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. Five Directors, being Mr. Niccolò Camerana, Mr. Lupo Rattazzi, Mr. Robert Speyer, Mr. Michelangelo Volpi and Mrs. Ruthi Wertheimer stepped down as Board members with effect from the Annual General Meeting of shareholders, held on 29 May 2018 and one new Director, being Mr. Joseph Bae, was appointed as a non-executive Director by the Annual General Meeting of shareholders held on that date. Pursuant to the Articles of Association and the Dutch Corporate Governance Code, the term of office of Directors may not exceed a maximum period of four years at a time. A Director who ceases office in accordance with the previous provisions is immediately eligible for re-appointment.

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

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

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

Name	Year of Birth	Position	Appointment date	Current term in office
John Elkann	1976	Chairman and Chief Executive Officer	30 May 2017	2 years
Alessandro Nasi	1974	Vice Chairman and Non-Executive Director	30 May 2017	2 years
Marc Bolland	1959	Senior Non-Executive Director	30 May 2017	2 years
Andrea Agnelli	1975	Non-Executive Director	30 May 2017	2 years
Joseph Bae	1972	Non-Executive Director	29 May 2018	1 year
Melissa Bethell	1974	Non-Executive Director	30 May 2017	2 years
Laurence Debroux	1969	Non-Executive Director	30 May 2017	2 years
Ginevra Elkann	1979	Non-Executive Director	30 May 2017	2 years
Annemiek Fentener van Vlissingen	1961	Non-Executive Director	30 may 2017	2 years
António Horta-Osório	1964	Non-Executive Director	30 May 2017	2 years

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

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

- Marc Bolland;
- Joseph Bae;
- Melissa Bethell;
- Laurence Debroux;
- Annemiek Fentener Van Vlissingen;
- António Horta-Osório.

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

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

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

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

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

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

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

John Elkann is Chairman of Giovanni Agnelli B.V. and Vice-Chairman of GEDI Gruppo Editoriale S.p.A. He is also a board member of PartnerRe Ltd. and of The Economist Group. Mr. Elkann is Chairman of the Giovanni Agnelli Foundation and a member of MoMA.

Alessandro Nasi - Vice Chairman and Non-Executive Director

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

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

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

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

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

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

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

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

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

He is a Director of Giovanni Agnelli B.V.

Marc Bolland - Senior Non-Executive Director

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

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

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

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

In September 2016 he joined the Blackstone Group International Partners LLP as Operating Partner and Head of European Portfolio Operations.

He is currently a Non-Executive Director on the Board of the Coca-Cola Company, Atlanta USA and Non-Executive Director on the Board of 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 is chairman of Juventus Football Club S.p.A. since 19 May 2010, and Lamse S.p.A., a holding company for which he is a founding shareholder since 2007.

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

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

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

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

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

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

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

Joseph Bae - Non-Executive Director

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

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

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

Melissa Bethell - Non-Executive Director

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

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

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

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

Laurence Debroux - Non-Executive Director

Laurence Debroux was born in France in 1969 and graduated at HEC (Ecole des Hautes Etudes Commerciales) Paris. Ms. Debroux joined Heineken N.V. in 2015 as member of the Executive Board and CFO. Before joining Heineken she had been Chief Financial and Administrative Officer and a member of the Executive Board of JCDecaux since July 2010. Prior to this, 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 investment banking. She has had Executive responsibility for Global functions such as Strategic Planning & Business Control, Tax & Financial Markets, Business Development, Financial Processes & Internal Control, Accounting & Reporting, Procurement and Information Systems. Ms. Debroux is presently also a member of the Board of Directors of HEC (Ecole des Hautes Etudes Commerciales) Paris and independent Board member of Novo Nordisk A/S.

Ginevra Elkann - Non-Executive Director

Ginevra Elkann was born in London in 1979 and she has lived in the UK, France and Brazil.
She graduated in Visual Communication at the American University of Paris and completed a Master in Film Making at the London Film School.

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

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

Annemiek Fentener van Vlissingen - Non-Executive Director

Annemiek Fentener van Vlissingen is Chairman of the 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) and trade in and distribution of LPG.
Born in 1961 in the Netherlands, 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., the Dutch Central Bank, Utrecht University Hospital and a Belgian company, Lhoist.

António Horta-Osório - 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 Portugal in 1964, Mr. Horta-Osório is a graduate of management and business administration at Universidade Católica Portuguesa. He has an MBA from INSEAD where he was awarded the Henry Ford II prize – and an AMP from Harvard Business School. In June 2011, he was awarded an Honorary Doctorate from the University of Edinburgh, and in July 2012 he was awarded an Honorary Doctorate from the University of Bath.

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, moving to the UK in 2006 to become CEO of Abbey and its successor Santander UK.

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

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

He serves on the CBI President's Committee. In 2018 he was granted the Freedom of the City of London and has been Chairman of the Wallace Collection since 2015, a Prime Ministerial appointment. The Wallace Collection is one of Europe's foremost art collections and the greatest private bequest to the nation in Great Britain.

Composition and diversity of the Board of Directors

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

In this context, and as prescribed in the Dutch Corporate Governance Code, and in addition to the Board profile in place, a Diversity Policy, as included in the Board Regulations, as to diversity in education, gender (at least 30% male and female representatives), background, knowledge, expertise and work experience, 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, and in accordance with the Diversity Policy adopted by the Board in 2017, the Company should strive to achieve that its Board of Directors is at least 30% male and at least 30% female and it should disclose in its annual report if this requirement is not met. Four of the current ten members of the Board of Directors are female and therefore its composition complies with the above mentioned gender diversity requirement.

Board Practice and Committees

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

In total four Board of Directors meetings were held in 2018 and the table below shows the attendance of the Board members at these meetings. During those meetings, amongst other matters, the corporate strategy of the Company, the Half-year financial Report, the main risks related to the Company's activities and its mitigation measures, the long-term value creation, the Company values, governance and the evaluation of the functioning of the Board and its Committees, were discussed.

Director	Board of Directors	Audit Committee	Compensation and Nominating Committee
John Elkann	4/4		
Sergio Marchionne [(a)]	1/2		
Alessandro Nasi	4/4		1/1
Andrea Agnelli	3/4		
Joseph Bae [(b)]	2/3		0/0
Melissa Bethell [(c)]	4/4	3/3	
Marc Bolland [(d)]	4/4	1/1	
Niccolò Camerana [(e)]	1/1		
Laurence Debroux [(c)]	3/4	3/3	
Ginevra Elkann	3/4		
Annemiek Fentener Van Vlissingen	2/4	2/4	
António Horta-Osório [(f)]	3/4		0/0
Lupo Rattazzi [(e)]	1/1	1/1	
Robert Speyer [(e)]	1/1		1/1
Michelangelo Volpi [(e)]	0/1		0/1
Ruthi Wertheimer [(e)]	1/1		

(a) Until 25 July 2018
(b) Joined the Company as of the appointment by the Shareholders meeting of 29 May 2018
(c) Joined the Audit Committee per the date of the Shareholders meeting of 29 May 2018
(d) Stepped down from the Audit Committee per the date of the Shareholders meeting of 29 May 2018
(e) Stepped down from the Board of Directors per the date of the Shareholders meeting of 29 May 2018
(f) Joined the Compensation and Nominating Committee per the date of the Shareholders meeting of 29 May 2018

Evaluation

Annually, under the oversight and responsibility of the Compensation and Nominating Committee and with the assistance of the Legal Counsel, the Board of Directors has evaluated and discussed its own functioning and performance, the functioning of its Committees and its individual Directors. In 2018 the evaluation of the Board of Directors and its Committees consisted of a self-assessment facilitated by written questionnaires.
The main topics of the questionnaire related to composition, competence, performance, information, operational and strategic topics, oversight and involvement of the Board and the functioning of the internal Committees. The outcome of the questionnaire (the response rate was 100%) was assessed and discussed in the Compensation and Nominating Committee and the committee gave its feedback and recommendations in the Board of Directors meeting in which the evaluation was further discussed. The overall conclusion of the evaluation was good to excellent and the further conclusion that must be drawn on the basis thereof, as prescribed by the best practice provision 2.2.8 of the Dutch Corporate Governance Code, is that, with regard to the duration of the meetings, to ensure sufficient time for in depth discussions, a relative improvement is needed; this conclusion has been taken into account in the scheduling and timing of future meetings.

Board Regulations

By means of a resolution approved on 12 December 2016, the Board of Directors adopted its regulations, pursuant to Article 20.8 of the Articles of Association, which regulations have recently been amended, restated and approved on 26 March 2018. Such regulations govern the operations concerning 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 follow the proceedings and participate in real-time discussion of the items on the agenda.

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

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

All resolutions shall be adopted by the favorable vote of the majority of the Directors present or represented at the meeting. Each Director 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 adopt resolutions in this way.

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

Indemnification of Directors

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

Conflict of interest

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

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

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

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

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

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

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

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

Amount and Composition of the remuneration of the Board of Directors

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

THE AUDIT COMMITTEE

The Audit Committee is, under the responsibility of the Board of Directors, responsible for assisting and supporting the Board of Directors with its oversight of, amongst others, (i) the integrity of the Company's financial statements; (ii) the Company's policy on tax planning; (iii) the Company's financing; (iv) the Company's application of information and communication technology; (v) the systems of internal controls that management and 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 tasks and functions of the Audit Committee are described in the Audit Committee Charter, which was last amended and approved during the Board meeting held on 13 November 2018. The Charter is published on the EXOR website.

The Audit Committee consists of Ms. Bethell (Chair), Ms. Debroux and Mrs. Fentener Van Vlissingen, each of whom is independent within the meaning of the Dutch Corporate Governance Code. 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. The Audit Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors.

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

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

The Audit Committee met four times during 2018. The attendance rate is shown in the table on page 66 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, the Committee met separately with each of the CFO and the General Counsel, the Chief Audit Executive and the external auditor after the four meetings held in 2018.

The main items discussed and/or reviewed during these meetings were: the annual and semi-annual reports; incident reporting & investigations; the Risk Assessment and Risk appetite; the appropriateness of the Risk Management & Control systems in place; the Internal and External audit plan; updates on Compliance and legal matters. Review of updated policies and procedures; review of the internal Audit assessment on the Separate/Consolidated financial reporting, Treasury, 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; evaluation of the external audit function; and, self-assessment of the Audit Committee itself.

INTERNAL AUDIT FUNCTION

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

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

Internal audit reviews, assessments and tests were performed on a regular basis in 2018. As part of these reviews and tests, the effectiveness of the risk management and internal control systems was tested and no material weaknesses or deficiencies were identified.

THE COMPENSATION AND NOMINATING COMMITTEE

The Compensation and Nominating Committee is, under the responsibility of the Board of Directors, responsible for assisting and supporting the Board of Directors with its oversight of, amongst others matters, (i) determining the executive compensation; (ii) the Company's remuneration policy; (iii) determining the compensation of Non-Executive Directors; (iv) preparation of the remuneration reports; (v) drawing up the selection criteria and appointment procedures for Directors of the Company; (vi) periodic assessment of the size and composition of the Board of Directors and as appropriate making proposals for changes in 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 for the nomination and re-nomination of Executive and Non-Executive Directors to be appointed by the shareholders meeting; (ix) supervision of the policy on the selection and appointment criteria for senior management and policy on succession planning; and (x) monitoring, evaluating and make recommendations as to management standards, strategy guidelines on sustainability related matters or policies and governance of the Company.

The Compensation and Nominating Committee currently consists of Mr. Horta-Osório (Chairman), Mr. Nasi and Mr. Bae. More than half of its members shall be independent according to the Dutch Corporate Code and 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 2018 the Compensation and Nominating Committee met once and the attendance of its members at that meeting was 70%.

The main items discussed and/or reviewed during that meeting were: review of the 2017 Remuneration Reports and the variable part of the executive remuneration; review, assessment and discussion of the results of the self-assessment provided by the Board of Directors; establishment of the independence of the Non-Executive Directors; assessment of the composition of the Board and proposal of a new candidate to be nominated as director.

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

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

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

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

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

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

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

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

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

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

(h) The rules governing the appointment and dismissal of members of the Board of Directors are stated in the Articles of Association. All members of the Board of Directors are appointed by the general meeting of shareholders. The Board of Directors will nominate a candidate for each vacant seat. A nomination by the Board of Directors will be binding. However, the general meeting of shareholders may deprive the nomination of its binding character by a resolution passed with a two-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 29 May 2018 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 18months at a repurchase price per share, excluding expenses, not higher than10% 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 with a director or employee providing for a payment / distribution upon termination of employment as a result of a public offer within the meaning of article 5:70 of the Dutch Financial Supervision Acts.

GENERAL MEETING OF SHAREHOLDERS

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

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

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

a) discussion of the board report;
b) discussion and adoption of the annual accounts;
c) dividend proposal (if applicable);

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

Calling of meetings

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

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

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

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

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

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

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

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

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

Conduct of the meeting

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

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

A person entitled to attend the general meeting of shareholders or his proxy will only be admitted to the meeting if he has notified the Company of his intention to attend the meeting in writing at the address and by the date specified in the notice of meeting. The proxy is also required to produce written evidence of his mandate.
The Board of Directors is authorised to determine that the voting rights and the right to attend the general meeting of shareholders can be exercised by using an electronic means of communication. If so decided, it will be required that each person entitled to attend the general meeting of shareholders, or his proxy holder, can be identified through the electronic means of communication, follow the discussions in the meeting and, to the extent applicable, exercise the voting right.

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

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

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

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

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

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

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

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

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

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

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

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

No voting rights shall be exercised in the general meeting of shareholders for shares owned by the Company or by a subsidiary of the Company. Pledgees and usufructuaries of shares owned by the Company and its subsidiaries shall however not be excluded from exercising their voting rights, if the right of pledge or usufruct was created before the shares were owned by the Company or a subsidiary. Neither the Company nor any of its subsidiaries may exercise voting rights for shares in respect of which it holds a right of pledge or usufruct.

Minutes will be kept of the proceedings at the general meeting of shareholders by, or under supervision of, the company secretary, which will be adopted by the chairman of the meeting and the secretary and will be signed by them as evidence thereof.

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

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

CODE OF CONDUCT

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

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

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

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

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

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

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

INSIDER TRADING POLICY

The EXOR Insider Trading Policy is intended to make all Directors and 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 Market Abuse Regulation by Directors, employees 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 2017.
EXOR also maintains a so called insider list including all persons, who in the exercise of their employment, profession or duty, have access to Inside Information.

Compliance with the Dutch Corporate Governance Code

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

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

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

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

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

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

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

d) *Best practice provision 4.1.8 of the Dutch Corporate Governance Code: Every executive and non-executive Director nominated for appointment should attend the general meeting at which votes will be cast on his or her nomination.*

During the annual general meeting held in 2018 Mr. Bae was nominated for appointment as a non-executive director. Unfortunately Mr. Bae had conflicting agendas that day and could not attend the annual general meeting in Amsterdam. The Company, however, fully informed the general meeting of shareholders by publishing the relevant biographical details and curriculum vitae with the agenda and in the explanatory notes on the website and by the information given during the annual general meeting of shareholders by the Chief Executive Officer.

REPORT OF THE NON-EXECUTIVE DIRECTORS

Introduction

This is the report of the non-executive Directors of the Company over the financial year 2018 as referred to in best practice provision 5.1.5 of the Dutch Corporate Governance Code.
It is the responsibility of the non-executive Directors to supervise the policies carried out by the executive Directors and the general affairs of the Company and its affiliated enterprises, including the implementation of the strategy of the Company regarding long-term value creation. In 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 the case of non-executive Directors).

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

Supervision by the non-executive Directors

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

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

The non-executive Directors supervised the adoption and implementation of the procedures, strategies and policies of the Company, reviewed this Annual Report, including the Remuneration Report 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.

During the meetings held in 2018, for an overview of which reference is made to the section "Board of Directors", the key topics discussed were, amongst others: the strategy, performance and strategy on the operating subsidiaries, cash flow management, objectives, the financial results and reporting, investments and acquisitions, executive compensation, risk management, legal and compliance matters, sustainability, the Remuneration Report and evaluation of the Board.

Independence of the non-executive Directors

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

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

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

Evaluation by the non-executive Directors

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

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

In 2018, the Compensation and Nominating Committee focused on the periodic assessment of the performance of the Board of Directors, its committees, the individual Directors and the results of the self-assessment questionnaires prepared by the individual Directors during the meeting held on 25 March. During that meeting, the Compensation and Nominating Committee dealt also with the directors' nomination process and focused on the assessment of Directors' qualifications, the size and composition of the Board of Directors and the committees, and the recommendations for Directors' election.

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

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

The non-executive Directors were able to review and evaluate the performance of the Audit Committee and the Compensation and Nominating Committee. There is need to amend the size or composition of the Audit Committee and the Compensation and Nominating Committee. There was however, the request to amend the Audit Committee Charter to clarify certain tasks and duties, which Charter was amended and approved during the Board meeting, held in November 2018. In this light it is envisaged to amend the Compensation and Nominating Committee Charter in 2019. Further details on the manner in which these committees have carried out their duties, are set forth in the sections "The Audit Committee", "Compensation and Nominating Committee", within "Board Practices and Committees" above.

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

IN CONTROL STATEMENT

Internal Control System

Based on the assessment performed, the Board of Directors believes that, as of 31 December 2018, the Group's and the Company's Internal Control over Financial Reporting is considered effective and that (i) the Board Report provides sufficient insights into any material weakness in the effectiveness of the internal risk management and control systems. This is discussed in the Internal Audit Function in page 71, (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 51, (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 179 and in the Company Financial Statement from page 283, and (iv) the Board Report states those material risks and uncertainties that are, in the Board of Director's judgment, relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Board Report. You may refer to the Risk Factors section in page 56.

27 March 2019

John Elkann

Chairman and Chief Executive Officer

RESPONSIBILITIES IN RESPECT TO THE ANNUAL REPORT

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

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

27 March 2019

The Board of Directors

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

Annemiek Fentener Van Vlissingen

António Horta-Osório

NON FINANCIAL STATEMENT

The Non-Financial Statement relies on the GRI Sustainability Reporting Guidelines and includes non-financial information of EXOR and of the subsidiaries of the Holdings System, including also a summary of ESG initiatives by the operating subsidiaries (PartnerRe, Fiat Chrysler Automobiles, CNH Industrial, Ferrari NV and Juventus Football Club), illustrating their business model, main risks, policies and outcomes (see section “Summary of ESG performance of the operating subsidiaries”).

NON FINANCIAL STATEMENT

METHODOLOGY AND SCOPE

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

I. EXOR BUSINESS MODEL

1. OVERVIEW

EXOR is a diversified holding company which makes investments in global companies (mainly in Europe and the United States) in different sectors, with a long-term horizon.

EXOR is an active owner aiming at allocating capital successfully, focused on driving long-term continuous development and value creation in the companies in which it invests. EXOR maintains a constant dialogue and engagement with the management through its presence in the Boards while fully respecting their operating autonomy.

2. IMPLEMENTATION AND LONG-TERM VALUE CREATION

EXOR, as an active and responsible owner has its main focus to ensure the appropriate leadership, board, organization and resources are in place in the companies it owns so that they are well-positioned to deliver stakeholder value for the long-term.

EXOR, as a responsible investor guides the selection and management of its investments through the following criteria:

PERSONNEL	ECONOMIC AND FINANCIAL RESULTS	COMPETITIVE POSITION	GOVERNANCE
Highly professional managers with successful experience who contribute to the creation of value and who *"think and act as entrepreneurs"*	Companies which have shown a significant capacity to generate cash and profits, with a balanced financial structure	Companies with a competitive advantage which is sustainable in the long term and which are or are capable of becoming best in class	Presence on the Boards of Directors in order to oversee performance and to contribute to the development of the companies

EXOR, as a responsible employer aims at:

- Recruiting the best talent, offering equal opportunities, promoting a diverse workforce and building relationships based on collaboration, integrity and mutual respect.

- Achieving operational excellence, encouraging a continuous development and improvement in all its activities.

In pursuit of long-term value creation, EXOR believes it is essential to set performance goals aligned to its strategic direction. In fact, EXOR's key measure of performance is based on the outperformance of its NAV per share compared to the MSCI World Index in the long-term.

In addition, EXOR's operating priorities are to generate free cash flows above its dividend outflows over time and to preserve its investment grade rating with particular focus on its financial strength and discipline.

EXOR believes that financial, social and governance considerations are an important driver in the achievement of its own performance objectives and in the performance of its operating subsidiaries.

3. RISK MANAGEMENT

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 EXOR's assets, the efficiency and effectiveness of business processes and EXOR's compliance with laws and regulations.

EXOR's activities are subject to a number of laws and regulations, while EXOR 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.

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

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.

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 in this report.

II. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITY

1. EXOR'S APPROACH

EXOR, as a long-term and responsible investor, concentrates on the development of its companies to improve their competitive position and profitability. To fulfill its role, EXOR combines its entrepreneurial approach with a sound financial discipline, while maintaining a close relationship and a continuous dialogue with the companies' management through its presence on the Boards of Directors.

EXOR sets high standards for the integration of relevant ESG factors and supports practices which take these into consideration, both at an EXOR holding level and at an operating company level according to their materiality, promoting long-term and sustainable value creation across the EXOR Group.

1.1. STAKEHOLDER ENGAGEMENT

EXOR believes in the importance of maintaining a continuous dialogue with both internal and external stakeholders. A review of relevant stakeholder groups at an EXOR holding level has been conducted, addressing material aspects based on their relevance and highlighting the measures in place to be able to ensure a continuous engagement.

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

1.2. IDENTIFIED MATERIAL ESG ASPECTS AND BOUNDARIES

EXOR, as a diversified holding company with a lean organization composed of 22 employees as of 31 December 2018, is committed to focus on a number of ESG aspects that are considered relevant to its activities and the fulfillment of its long-term objectives.

The most relevant ESG aspects to EXOR and its stakeholders have been identified through an internal assessment, industry best practices and peer benchmarking.

As EXOR is not an operating company, the identified aspects on the table below are considered to be relevant for EXOR and its own activities. Aspects which may be relevant for the EXOR Group, including operating companies and subsidiaries at an operational level are addressed separately in "*Section 3. Summary of ESG Performance at an operating company level*" and on the companies' websites.

FACTOR	IDENTIFICATION OF MATERIAL ASPECTS
Social	EXOR aims at improving and strengthening the impact that the organization has on the social systems within which it operates, with particular focus on: • Stakeholder relationship • Employment related matters • Support of institutions and foundations
Governance	EXOR is committed to a governance structure and composition that ensures transparency, accountability and diversity with particular focus on: • Board of Directors diversity • Integrity of business conduct and compliance
Environmental	While EXOR is committed to sustainability and supports the implementation of policies aiming at the respect and protection of the environment through its influence with its operating companies, EXOR as a holding company is not directly involved in the day-to-day operations of the companies in which it invests. Based on its main activities which are financial in nature, its direct environmental impact is considered negligible

The identified aspects on the table above include the sustainability measures that are important to EXOR as a diversified holding company and that have an impact on EXOR's ability to create long-term value for its stakeholders. As a result of the analysis of material aspects, EXOR's sustainability-focus areas are:

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

2. SUMMARY OF ESG STRATEGY AT EXOR HOLDING LEVEL

2.1. SOCIAL: STAKEHOLDER RELATIONSHIP

Recognizing the importance of engaging its stakeholders, both internal and external, the Company aims to extend its commitment beyond the economic results of its activities, to consider also aspects that are important to relevant stakeholder groups.

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 is 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.

2.2. SOCIAL: EMPLOYMENT RELATED MATTERS

2.2.1. HUMAN RESOURCES

EXOR recognizes the central importance of human resources believing that the main factor of success of any enterprise is the professional contribution of its employees working in an environment of loyalty, respect and mutual trust. Major emphasis is therefore put on recruiting processes, training and competency development, and building a strong 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 diverse professional and cultural backgrounds from a variety of countries in Europe, Asia and the United States.

EXOR is committed to providing its employees with competitive compensation and benefits. EXOR employees receive variable pay compensation based on performance measures which are distinctively value-creating and linked to the company strategy, while all employees have full-time contracts.

A summary of metrics representative of EXOR's workforce are reported here below:

NUMBER OF EMPLOYEES

Employees	31st December 2018	31st December 2017
Total	**22**	**21**
of which women	***63.6%***	***66.7%***

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

Type of employment contract	31st December 2018			31st December 2017		
	Male	Female	Total	Male	Female	Total
Permanent	7	12	**19**	7	13	**20**
Temporary	1	2	**3**	-	1	**1**
Total	**8**	**14**	**22**	**7**	**14**	**21**

NUMBER OF EMPLOYEES BY GEOGRAPHICAL AREA

Geographical Area	31st December 2018			31st December 2017		
	Male	Female	Total	Male	Female	Total
The Netherlands	3	9	**12**	1	8	**9**
Luxembourg	-	2	**2**	1	2	**3**
United Kingdom	5	3	**8**	5	4	**9**
Total	**8**	**14**	**22**	**7**	**14**	**21**

NUMBER OF EMPLOYEES PER EMPLOYEE CATEGORY BY GENDER

Employment category	31st December 2018			31st December 2017		
	Male	Female	Total	Male	Female	Total
Top Managers	3	2	**5**	3	2	**5**
Middle-managers	3	5	**8**	3	5	**8**
Professionals	2	7	**9**	1	7	**8**
Total	**8**	**14**	**22**	**7**	**14**	**21**

NUMBER OF EMPLOYEES PER EMPLOYEE CATEGORY BY AGE GROUP

Employment category	31st December 2018				31st December 2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Top Managers	-	3	2	**5**	-	3	2	**5**
Middle-managers	2	6	-	**8**	2	6	-	**8**
Professionals	3	3	3	**9**	3	3	2	**8**
Total	**5**	**12**	**5**	**22**	**5**	**12**	**4**	**21**

EMPLOYEE TURNOVER

New hires		
	2018	**2017**
Number of employees	**3**	**8**
Turnover %	**13.6%**	**38.1%**
Leavers		
	2018	**2017**
Number of employees	**2**	**3**
Turnover %	**9.1%**	**14.2%**

2.2.2. WORKPLACE HEALTH AND SAFETY

EXOR provides working conditions which are respectful of the dignity of the individual and ensure 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.

2.2.3. 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.

2.3. SOCIAL: SUPPORT OF INSTITUTIONS AND FOUNDATIONS

It is important to emphasize that, in general, EXOR considers that it is fundamental to conduct its affairs responsibly and attaches great importance to the ties it has with its community.

EXOR supports various activities in the field of social research, education, cultural promotion and assistance. 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 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; "Eduscopio", the portal that, since 2014, helps students and families in the choice of the most suitable high school, by comparing the quality of institutions and providing a list of the top schools in a given area, has become a true reference point for Italian families; "Torino fa scuola", a project focused on innovation in education, which concerns the renovation of two middle schools of Turin and the re-qualification of its learning spaces.

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.

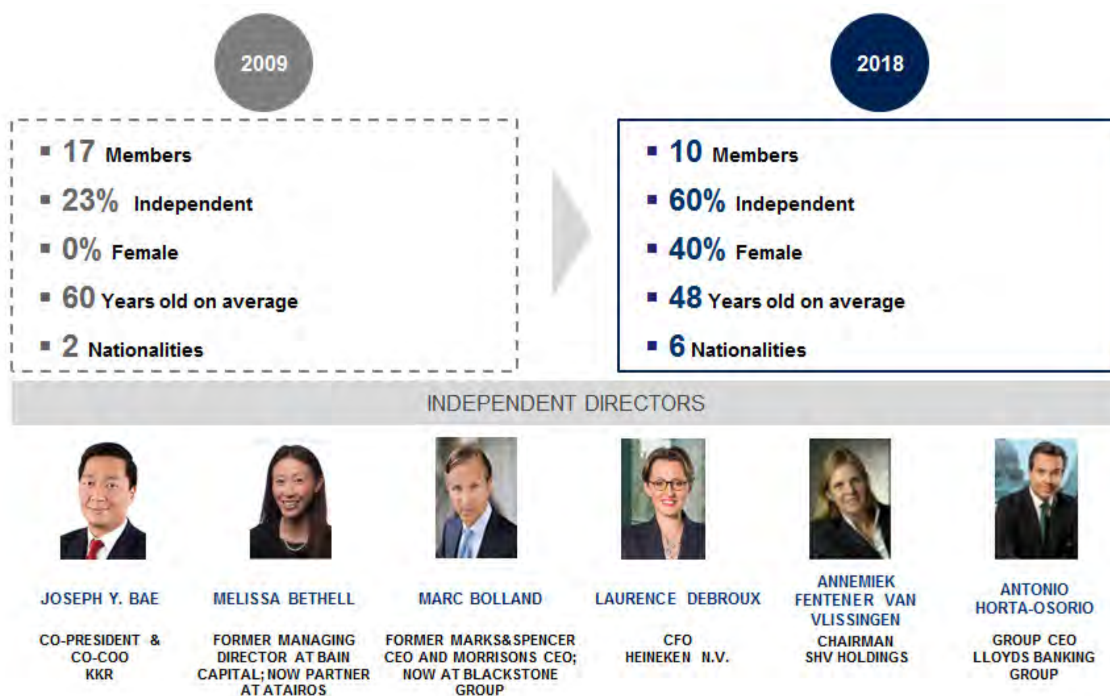
As for EXOR's commitment to healthcare research, the Company financially supports the mission of the Piedmontese Foundation for Cancer Research, ONLUS formed to set up an oncological institute in Piedmont that, through scientific research and clinical practice, would offer an important contribution to conquering cancer, thus becoming a center of reference for oncology. 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.

2.4. GOVERNANCE: BOARD OF DIRECTORS DIVERSITY

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.

BOARD OF DIRECTORS COMPOSITION: Evolution 2009-2018



At 31 December 2018 the composition of the Board of Directors by gender and age groups is as follow:

Directors by gender and age groups	30-50	>50	Total
Male	4	2	**6**
Female	3	1	**4**
Total	**7**	**3**	**10**

2.5. GOVERNANCE: INTEGRITY OF BUSINESS CONDUCT AND COMPLIANCE

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.

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.
EXOR conforms to the following Ethical Principles:

- **Observance of the law:** the behavior of Addresses (as defined in the EXOR's Code of Conduct), 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".

2.5.1. CODE OF CONDUCT

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

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

2.5.2. ANTI-CORRUPTION and BRIBERY

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 to offer, promise, give, pay or authorize the giving or payment, directly or indirectly, of an economic advantage or other utility to a third party (private or public) with the object of:

- Inducing a third party to perform any function or act in a manner which is improper or contrary to the duties of his or her position (or to reward the performance of the same).
- Improperly obtaining or maintaining an unfair business advantage, in violation of the applicable laws.

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

2.5.3. 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.

2.6. 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) have a strong commitment towards sustainability aspects, 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 regards 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.

3. SUMMARY OF ESG PERFORMANCE OF THE OPERATING SUBSIDIARIES

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

EXOR's operating subsidiaries are 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.

As a responsible owner, EXOR fully supports policies and initiatives implemented by its operating companies aiming at promoting sustainable development. The companies controlled by EXOR (in particular FCA, CNH Industrial and Ferrari) are committed to sustainability and engage globally in initiatives that are also recognized by the main indexes and ratings. For example:

- During 2018 FCA was included in the Global Diversity and Inclusion Index of Thomson Reuters, that lists the most successful companies in promoting and leveraging diversity and inclusion in the workplace. It is the only company in the automotive industry to be included in the 2018 Index.
- In 2018, CNH was confirmed for the eight consecutive year as the Industry Leader in Machinery and Electrical Equipment in the Dow Jones Sustainability Indices (DJSI), World and Europe.

A carefully compiled Sustainability Report is also produced annually by the companies, in line with international practices, to communicate to stakeholders the most relevant social, economic and environmental topics and the progress in achieving long-term targets.

This section provides a summary of the performance information and key initiatives carried out by the main EXOR subsidiaries (PartnerRe, Fiat Chrysler Automobiles, CNH Industrial, Ferrari and Juventus).

3.1. PartnerRe

3.1.1. BUSINESS MODEL

PartnerRe is a leading global reinsurer that helps insurance companies reduce their earnings volatility, strengthen their capital and grow their businesses through reinsurance solutions. PartnerRe brings a more personal approach to the marketplace with a distinctive balance of technical skills and client focus, expertise and partnership.

PartnerRe has the scale and expertise to meet clients' needs across virtually all markets, risks, business lines and products, while remaining small enough to be adaptive and responsive.

Being a pure-play reinsurer gives PartnerRe the ability to truly serve brokers and clients, rather than compete with them. PartnerRe builds long-term relationships to understand the clients' challenges and be a resourceful, problem-solving partner.
Technical expertise, committed personal relationships and strong capitalization enable PartnerRe to provide the solutions their clients are looking for, such as innovating for growth, reducing volatility, protecting reputation and optimizing capital.

PartnerRe has a clear value proposition based on a strategy and financial foundation to achieve strong growth and profitability:

1. Leading, Privately Held composite pure-play reinsurer
2. Global footprint and Broad Underwriting diversification
3. Attractive Business mix with low exposure to property cat risk
4. Robust Financial Strength
5. Dynamic approach to risk management
6. Strong underwriting and financial performance
7. World class management team

3.1.2. RISK MANAGEMENT

A disciplined approach to risk management, backed by a strong balance sheet, ensures PartnerRe's ability to pay claims and endure over the long term.

Managing risk effectively is paramount to PartnerRe's success. PartnerRe is built around intelligent risk assumptions and careful risk management, as evidenced by its development of the PartnerRe risk management framework, which provides an integrated approach to risk across the entire organization. Among the potential risks, Natural catastrophe risk is managed by catastrophe modeling and a combination of quantitative and qualitative analysis.

In order to achieve an appropriate growth in book value over the reinsurance cycle, PartnerRe believes it must be able to generate an appropriate return on average common shareholder's equity over the reinsurance cycle. Its ability to do that over a reinsurance cycle is dependent on its individual performance, but also on industry factors that impact the level of competition and the price of risk.

PartnerRe manages large loss events through evaluation processes designed to enable proper pricing of these risks over time, and, as a result, short-term earnings volatility may be experienced. Earnings volatility is dampened through diversification, by building a portfolio of uncorrelated risks and through the purchase of retrocessional coverage to optimize a portfolio.

PartnerRe has identified what the company believes reflects key significant risks to the organization, and, in turn, to the common and preferred shareholders, debt holders, and its policyholders. *Reference should be made to the section Risk factors from subsidiaries – PartnerRe of this Report and to PartnerRe's 20-F Report filed with the SEC for more information regarding the company's specific Risk factors.*

3.1.3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITY

PartnerRe is committed to achieve long-term economic growth by managing its business and relationships in a responsible way, taking into account ESG aspects that are relevant to all its stakeholders.

PartnerRe provides benefits and maintains a continuous and open dialogue with all its stakeholders:

- For its clients, PartnerRe exists to make risk manageable, combining technical expertise and strong personal relationships to help fuel their success and their peace of mind

- For its shareholders, PartnerRe aims to deliver long-term returns
- For its employees, it provides rewarding employment and development opportunities
- For the communities in which it operates, PartnerRe believes in investing in their economic sustainability through social, environmental or charitable programs

PartnerRe has identified the following aspects, considered to be relevant for its business and its own activities:

IDENTIFICATION OF MATERIAL ASPECTS			
	Social	Governance	Environmental
Stakeholder dialogue	x	x	
Responsible management	x	x	x
Sustainable solutions	x		x
Board diversity	x	x	
Employee development	x		
Employee diversity	x		
Compliance	x	x	x
Community involvement	x		x

3.1.3.1. SOCIAL: Employee-related matters

At PartnerRe there are common values that apply to the entire organization and that underpin the business activities and behaviors. The Company is committed to a culture of trust, responsibility, openness and initiative; therefore, the highest level of ethical conduct should be reflected in all of its business activities.

PartnerRe is an international, dynamic, challenging and rewarding place to work, always striving to develop proactive people with expert knowledge, skills and integrity. PartnerRe aims to provide each employee with a healthy and safe work environment, by putting in place a set of environmental, health and safety rules and practices.

NUMBER OF EMPLOYEES

	31st December 2018	31st December 2017
Total	**958**	**978**

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER

Employment category	31st December 2018			31st December 2017		
	Male	Female	Total	Male	Female	Total
Top Managers	160	30	**190**	168	27	**195**
Middle-managers	146	99	**244**	152	96	**248**
Professionals	214	309	**523**	220	315	**535**
Total	**520**	**438**	**958**	**540**	**438**	**978**

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP

Employment category	31st December 2018				31st December 2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Top Managers	-	96	94	**190**	-	97	98	**195**
Middle-managers	1	148	96	**245**	1	154	93	**248**
Professionals	80	288	155	**523**	62	304	169	**535**
Total	**81**	**532**	**345**	**958**	**63**	**555**	**360**	**978**

NUMBER OF EMPLOYEES BY GEOGRAPHICAL AREA

	31st December 2018	31st December 2017
Europe	551	537
Americas	367	395
Asia Pacific	50	46
Total	**958**	**978**

NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE

	31st December 2018	31st December 2017
Full Time	883	911
Part Time	75	67
Total	**958**	**978**

EMPLOYEE TURNOVER BY GENDER

New hires	2018		2017	
	Number	% Turnover	Number	% Turnover
Male	68	13.1%	59	10.9%
Female	60	13.7%	43	9.8%
Total	**128**	**13.4%**	**102**	**10.4%**

Leavers	2018		2017	
	Number	% Turnover	Number	% Turnover
Male	88	16.9%	56	10.3%
Female	62	14.2%	57	13.0%
Total	**150**	**15.8%**	**113**	**11.5%**

EMPLOYEE TURNOVER BY AGE GROUP

New hires	2018		2017	
	Number	% Turnover	Number	% Turnover
<30	42	51.8%	23	36.5%
30-50	70	13.2%	65	11.7%
>50	16	4.6%	14	3.9%
Total	**128**	**13.4%**	**102**	**10.4%**

Leavers	2018		2017	
	Number	% Turnover	Number	% Turnover
<30	8	9.9%	1	1.6%
30-50	67	12.6%	53	9.5%
>50	76	22.0%	59	16.4%
Total	**151**	**15.8%**	**113**	**11.5%**

In addition, PartnerRe expects its work environment to be free from all forms of discrimination, harassment or intimidation and does therefore not tolerate any prejudice, whether based on race, color, age, religion, gender, sexual orientation, national origin or otherwise.

3.1.3.2. SOCIAL: Involvement with communities

PartnerRe believes in giving back to the communities the company works in, and this is done in two ways. The first is financial, where PartnerRe contributes to charitable organizations in the form of donations, grants and matching funds. The second is as a partner, contributing its expertise in the form of professional advice, employee engagement and global connections. PartnerRe supports charities around the world, in countries and cities where the company has a significant presence.

In addition, PartnerRe has established partnerships with companies helping to deliver better insurance products aimed at addressing specific needs and challenges of communities.
For example, in February 2018 PartnerRe signed a four-year agreement with Farmers Edge- a global leader in precision agriculture – in a deal that will help insurers close the insurance gap among farmers across all continents. This partnership brings together precision farming technology and agriculture insurance in a landmark deal that will fundamentally advance the $5 trillion global food and agriculture industry.

3.1.3.3. GOVERNANCE: Board of Directors diversity

PartnerRe is guided and governed by a world-class board whose members derive from leading global businesses.

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

3.1.3.4. GOVERNANCE: Integrity and Business Ethics

The Board of PartnerRe has adopted the Code of Business Conduct and Ethics (the “Code of Conduct”), which applies to all directors, officers and employees.

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. In particular:

- **Code of Business Conduct and Ethics** – PartnerRe’s Code of Conduct makes clear to employees the actions and behavior expected of them when representing the organization. The organization strives to maintain the highest standards of employee conduct and ethical behavior in all its business activities including when managing relationships with contractors. The Code of Conduct is approved by the Audit Committee of PartnerRe Ltd.

- **Whistleblowing Procedure** – PartnerRe has an established Whistleblowing Procedure to provide employees with guidelines for reporting potential, actual or suspected violations of any laws, rules, regulations or PartnerRe policies and guidelines. Employees are encouraged to disclose violations which they may be aware of, including improper business conduct or unethical business behavior.

- **Sanctions and Anti-Money Laundering Guidelines** – PartnerRe requires employees to conduct Sanctions and Anti-Money Laundering checks in order to detect and prevent money laundering and related activities, terrorism financing or transactions with prohibited countries, people and organizations.

- **Anti-Bribery and Corruption Guidelines** – PartnerRe is committed to fighting corruption in compliance with applicable laws and regulations of the country in which business is conducted. Employees must not accept or offer any benefit to any person during the course of their duties to induce the person to do or not do something within the scope of their position.

- **Recruitment and Selection Procedures** – PartnerRe recruits from reputable sources and is committed to compliance with applicable employment laws and regulations.

Employees are required to read, understand, accept and apply the values contained in the Code of Conduct and in all other policies and guidelines applicable to them, in their everyday work and behavior.

3.1.3.5. Environmental: Support of institutions and partnerships

As a company invested in the future, environmental sustainability is important to PartnerRe.

The company’s sustainability partners, Native Energy and the Swiss Climate Foundation, help PartnerRe in its efforts. PartnerRe looks to Native Energy to offset carbon emissions related to some of its business operations, while Swiss Climate Foundation helps PartnerRe to support small and medium enterprises on the forefront of energy efficiency and climate protection.

For more information, please refer to the PartnerRe 2018 Annual Report and its corporate website.

3.2. Fiat Chrysler Automobiles (FCA)

The Non-Financial Information prepared by FCA, based on the GRI Standards reporting guidelines, addresses the requirement of the Dutch Decree on Non-Financial Information, that incorporated the Directive 2014/95/EU into Dutch law.

The Non-Financial information is also included in the FCA 2018 Sustainability Report, submitted for assurance to an idependent company. The FCA 2018 Sustainability Report excludes information relating to Magneti Marelli business to allow comparability with the Group's Consolidated Financial Statements, where Magneti Marelli’s operations met the criteria to be classified as a disposal group held for sale and a discontinued operation pursuant to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. Information relating to 2017 has been re-presented to exclude Magneti Marelli.

The data reported in this section is an overview derived from the FCA 2018 Annual Report.

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.

3.2.1. Sustainability governance

The Board of Directors, composed of both executive and non-executive members, is responsible for the management and strategic direction of the Group in view of long-term value creation. 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 Chief Executive Officer is supported by the Group Executive Council, a group led by the Chief Executive Officer and composed of senior leadership from regional operations, brands, industrial processes, and support/corporate functions. The Group Executive Council approves operating guidelines and plays a vital role in ensuring that sustainability efforts are aligned with economic and business objectives.

3.2.2. Integrity of business conduct

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 (the "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.

FCA regards the diversity of its workforce as a key asset and does not tolerate any form of discrimination, as stated in the Human Rights Guidelines. A Diversity Policy and related targets are adopted to ensure adequate diversity representation within members of the Board of Directors.

NUMBER OF EMPLOYEES

Employees	2018	2017[1]
Total	**198,545**	**235,915**
of which women	***20.0%***	***21.5%***

[1] Including Magneti Marelli business

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 2018, the vast majority of FCA's plants had an Occupational Health & Safety Management System in place that was OHSAS 18001 certified.

3.2.3. Materiality analysis and risks

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.

Material aspects include the most important factors that relate to, and have an impact on, FCA's ability to create long-term value for its stakeholders.
FCA annually conducts surveys and stakeholder engagement activities focused on sustainability topics; FCA has a target to expand and innovate the sustainability dialogue with stakeholders, in the belief that these activities are an essential part of a robust sustainability program.

The conclusions from the analysis conducted, together with the results from the stakeholder engagement activities and survey, are used to set targets to address the material aspects that have been identified.
FCA has long-term sustainability-focused targets covering priority areas such as quality and safety of vehicles; environmentally responsible products, plants and processes; corporate governance; a healthy, safe and inclusive work environment; and constructive relationships with local communities and business partners.

3.2.4. Environmental impacts from operations

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.

FCA 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.

The most important KPIs related to energy consumption and emission are:

	2018	2017
Total energy consumption *(million GJ)*	**45.3**	**44.5**
Total CO_2 emissions *(million tons of CO_2)*	**3.6**	**3.5**
NO_X *(thousands of tons)*	**1.3**	**1.3**
SO_X *(thousands of tons)*	**0.1**	**0.1**
Dust *(thousands of tons)*	**0.1**	**0.1**
Total water withdrawal *(million m^3)*	**21.7**	**21.9**

3.2.5. Supply chain

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.

For more information, please refer to the FCA 2018 Annual Report, 2018 Sustainability Report and corporate website.

3.3. CNH Industrial

The Non-Financial Information prepared by CNH Industrial addresses the requirements of the Dutch Decree dated March 14, 2017 on Non-Financial Information, that implemented the Directive 2014/95/EU into Dutch law and this Non-Financial Statement is based on the GRI Standards reporting guidelines.

The Non-Financial information is also included in the CNH Industrial 2018 Sustainability Report, submitted for assurance to an independent company.

The data reported in this section is an overview derived from the CNH Industrial 2018 Annual Report.

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.
The full integration of environmental and social considerations with economic objectives enables the Group to identify potential risks and seize additional development opportunities, resulting in a process of continuous, and sustainable, improvement that creates value over the long-term.

3.3.1. Sustainability governance

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, is a committee of the Global Executive Committee, responsible for identifying sustainability strategies, to integrating sustainability into operating processes and to providing 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.

3.3.2. Materiality analysis

The materiality analysis is a tool that CNH Industrial uses to ensure close alignment between the material topics and its business decisions, increasingly integrating sustainability principles into the Company's daily activities. According to this approach, topics are considered material if they reflect CNH Industrial's economic, environmental, and social impacts, or influence the decisions of stakeholders. Within the analysis, the material topics are the key aspects CNH Industrial focuses on to either mitigate and limit the impact of the megatrends or exploit and enhance their positive effects.

3.3.3. Human resources

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	31st December 2018	31st December 2017
Total	**64,625**	**63,356**

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.

3.3.4. Environmental impact s of manufacturing processes

CNH Industrial is committed to continuously improving the environmental performance of its manufacturing processes, beyond the requirements of legislation, adopting the best technologies available and acting responsibly to preserve natural resources and to fight climate change. These are important priorities due to the nature and extent of their environmental and economic impact, and highlighted by their political, technological, and economic implications, in terms of both sustainable procurement and impact mitigation. Environmental protection at CNH Industrial is focused on prevention, conservation, information and people engagement, thus facilitating long-term management. CNH Industrial has adopted an Environmental Policy that describes the short, medium, and long-term commitments toward the responsible management of environmental aspects, such as: energy, natural resources, raw materials, hazardous substances, polluting emissions, waste, natural habitats and biodiversity.

Receipt of a certification for environmental or energy management confirms that an organization has a system capable of keeping the impacts of its operations under control, and that it systematically seeks to improve this system in a way that is coherent, effective and, above all, sustainable.
As of 31 December 2018, 56 plants were ISO 14001 certified, while energy management system according to ISO 50001 was rolled out to 49 plants, representing about 96% of energy consumption.

Environmental and energy performance presented below relates to 56 fully consolidated plants.

	2018	2017
Total energy consumption *(GJ per hour of production)*	**0.10898**	**0.11064**
CO_{2eq} emissions *(tons per hour of production)*	**0.00597**	**0.00688**
VOC emissions *(g/m^2)*	**36.5**	**36.9**
Total water withdrawal *(m^3 per hour of production)*	**0.08**	**0.08**

2017 data were restated compared to 2017 Annual Report following a change in reporting scope.

3.3.5. Supply chain

CNH Industrial adopts a responsible approach to the management of its supply chain, establishing relationships that go beyond commercial transactions, fostering long-lasting and mutually satisfying collaborations with qualified partners that share the Group's principles. CNH Industrial has adopted the Supplier Code of Conduct that provides the framework for responsible supply chain management. In addition to compliance with local legislation, the Supplier Code of Conduct calls for observance of human rights and working conditions, respect for the environment and business ethics. All suppliers carrying on business with CNH Industrial are deemed to agree and accept the contents of the Supplier Code of Conduct and such agreement and acceptance is evidenced by the supplier continuing to do business with CNH Industrial.

CNH Industrial's standards of environmental and social responsibility have been fully integrated into its supply chain management. Supplier selection is an operational phase of the procurement process and is regulated by specific procedures. Supplier selection is based not only on cost, product innovation, production flexibility and the quality and competitiveness of their products and services, but also on their compliance with CNH Industrial's social, ethical and environmental principles. The assessment process is built on objective criteria and tools aimed at ensuring fairness and equal opportunities for all parties involved.

For more information, please refer to the CNH 2018 Annual Report, 2018 Sustainability Report and corporate website.

3.4. Ferrari

The Non-Financial Information prepared by Ferrari addresses the requirements of the Dutch Decree dated March 14, 2017 on Non-Financial Information, that implemented the Directive 2014/95/EU into Dutch law and this Non-Financial Statement is based on the GRI Standards reporting guidelines.
The Non-Financial information is also included in the Ferrari 2018 Sustainability Report, submitted for assurance to an independent company.
The data reported in this section is an overview derived from Ferrari 2018 Annual Report.

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.

3.4.1. Materiality analysis

In 2018 Ferrari has updated the analysis of the most relevant sustainability topics (materiality analysis) to better reflect sustainability context developments, changes in drivers and goals. This was done by also taking into account various stakeholder engagement initiatives carried out during the year. These initiatives have shown a significant convergence on the assessment of the most material topics for the stakeholders with respect to the Ferrari's vision.
Ferrari 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.

3.4.2. Stakeholder engagement

As an international firm with ambitious corporate objectives and a complex value chain, Ferrari needs to develop forms of communication and collaboration with both internal and external stakeholders that allow to understand their various needs, interests and expectations.
In 2018 Ferrari carried out various stakeholder engagement activities like workshops with employees and with top investors to better understand what they believe are the main ESG drivers for Ferrari. Finally, to reach a significant number of stakeholders Ferrari conducted an online questionnaire, with over 3,000 responses, assessing their sustainability priorities. Another specific sustainability questionnaire was addressed to the Presidents of all the Scuderia Ferrari Clubs.
Considering the rising environmental and social changes, these engagement activities are an important part of the sustainability approach to help Ferrari identify sustainability risks and opportunities.

3.4.3. Sustainability governance

The Governance and Sustainability Committee is responsible for, among other things, assisting and advising the Board of Directors with monitoring and evaluating reports on the Group's sustainable development policies 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.

3.4.4. Integrity of business conduct

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. Ferrari's policies includes policies for respecting Human Rights which prohibit child and forced labor and pays attention to safe working environments for 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.

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.

3.4.5. Human resources

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	31st December 2018	31st December 2017
Total	**3,851**	**3,380**
of which women	***13.0%***	***12.3%***

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.

3.4.6. Environmental responsability

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 CO2 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.

	31st December 2018	31st December 2017
Total energy consumption *(thousands GJ)*	**1,655**	**1,641**
Total CO_{2eq} emissions *(tons of CO_{2eq})*	**91,773**	**92,609**
NO_X *(tons)*	**59.61**	**69.61**
SO_X *(tons)*	**1.4**	**0.9**
Volatile Organic Compounds (VOCs) *(tons)*	**50.91**	**55.9**
Dust *(tons)*	**4.1**	**2.4**
Total water withdrawal *(thousands of m^3)*	**668.6**	**751.6**

For more information, please refer to the Ferrari 2018 Annual Report, 2018 Sustainability Report and corporate website.

3.5. 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 2017/2018	Season 2016/2017
Total	**238**	**230**
of which women	***44.2%***	***44.3%***

For more information, refer to the Juventus 2017/2018 Annual Report, 2017/2018 Sustainability Report and corporate website.

REMUNERATION REPORT

REMUNERATION REPORT

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 2018 – 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.

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 Remuneration 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 to the Directors with reference to the period from 1 January 2018 until the end of the financial year (*i.e.* 31 December 2018).

SECTION I

Objectives and principles of the Remuneration Policy

Objectives and principles

The objective of the Remuneration Policy is to provide a compensation structure that allows the Company to attract and retain the most highly qualified executives and to motivate them to achieve business and financial goals that create long-term value for shareholders in a manner consistent with the Company's core business and leadership values.

For these objectives to be achieved, the Remuneration Policy is determined considering (i) best practices in compensation policy (in accordance, inter alia, with the Dutch Corporate Governance Code); and (ii) the need for sustainable compensation and the alignment with the medium-to-long-term interests of the shareholders.

The Remuneration Policy aims, further, to provide a total compensation opportunity that is competitive compared to the compensation paid by comparable companies and to reinforce the Company's performance-driven culture and meritocracy.

All the above is in the context of the specific characteristics of the Company, in particular of the ownership structure and the, organization wise, simple structure.

The Remuneration Policy is determined to be coherent with the Company's risk management policy and internal control system.

During its committee meeting in 2018 the Compensation and Nominating Committee reviewed and assessed the effectiveness of the Remuneration policy and established that the Remuneration Policy functions well in enhancing the long-term value of EXOR. In this review and assessment by the Compensation and Nominating Committee, the view of the CEO on his own remuneration package and the view on long-term value creation in this respect, was taken into account.

Scenario analysis

In the Compensation and Nominating Committee the Non-Executive Directors, examined by taken into account different scenario assumptions, the relationship between the performance criteria chosen and the possible results of the variable remuneration components and the manner in which this effects the remuneration of our CEO (scenario analysis). As such, the Non-Executive Directors have assessed the functioning of the Remuneration Policy taken into account the relationship between the Company's objectives, the chosen performance criteria and the long-term interest/value creation.

2018 Internal pay ratios

In line with the Dutch Corporate Governance Code the internal pay ratio is taken into consideration to determine the Remuneration Policy for the Board of Directors. The ratio between the CEO's annual fixed remuneration and the average fixed remuneration for all employees within the Holdings System was 12:1 for the 2018 financial year and in line with 2017.

The development of this ratio will be monitored and disclosed going forward.

Framework for Executive Directors Remuneration

The Board of Directors determines the compensation for Executive Directors based on recommendations from the Compensation and Nominating Committee of the Board of Directors and in accordance with the Remuneration Policy.

The compensation structure for Executive Directors includes a fixed component and a variable component based on short and long-term performance. The Company believes that its compensation structure promotes the interests of EXOR in the short and the long-term and is designed to encourage Executive Directors to act in the best interests of EXOR. In determining the level and structure of the compensation of Executive Directors, the Non-Executive Directors will take into account, among other things, the Company's financial and operational results and other business objectives. The Company establishes target compensation levels using a market-based approach and periodically benchmarks its Executive compensation program against peer companies and monitors compensation levels and trends in the market. The short and long term components of Executive Directors' variable remuneration are linked to predetermined, assessable targets. In light of the cross-border merger, hence the movement to the Netherlands this assessment was performed. It is envisaged that next year in light of the amended and restated Shareholders Directive (*Richtlijn/Decree 2017/828EU*) coming into force June 2019 a new assessment will be done.

Fixed components

The base salary is the fixed part of the annual cash compensation for Executive Directors. The primary objective is to attract and retain highly qualified senior executives.

Variable components

Executive Directors are also eligible to receive variable compensation subject to the achievement of pre-established financial 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 three preceding years.

Short-Term Incentives

The primary performance objective of short-term variable cash incentives is to incentivize Executive Directors to focus on the business priorities for the current or next year. Executive Directors' variable remuneration is linked to the achievement of 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.

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

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 company car and driver, personal/home security, (medical) insurances, tax preparation and financial counseling. The Compensation and Nominating Committee may grant other benefits to the Executive Directors in particular circumstances.

2018 Application of the Executive Remuneration Framework

The applicability of the remuneration framework for the Chief Executive Officer, being the only Executive Director, is described hereafter.

The Chief Executive Officer's annual compensation is a fixed component being US$1,000,000 plus a variable component of US$1,000,000, the so-called "cash performance". The cash performance will only be paid if at the end of the year the average change in Net Asset Value (the "NAV") per EXOR share in US$ in the three preceding years exceeds the average change in the MSCI World Index in the three preceding years.

According to the 2016 Long Term Stock Option Plan (as defined below), the CEO of the Company has been granted an amount of options corresponding to a value of US$ 4,000,000 per year for the duration of the aforesaid plan.

In addition the stock options granted to the CEO according to the previous incentive plans (EXOR 2008-2019 stock option Plan and 2012 Incentive Plan) are still in force and correspond to a value of Euro 110,000 (hundred ten thousand euro) for 2018.

In 2018 the CEO received, besides the fixed compensation of US$1,000,000, the cash performance compensation of US$1,000,000, on proposal of the Compensation and Nominating Committee, as the predetermined performance objective was achieved.

Framework for Non-Executive Directors Remuneration

The remuneration of Non-Executive Directors is a cash remuneration only, is fixed and is not dependent on the Company's financial results. Non-Executive Directors are not eligible for variable compensation and do not participate in any incentive plans. The committee membership and committee chair fee payments will be made all in cash.

Based on the Remuneration Policy the compensation for Non-Executive Directors is as follows:

On annual basis:

- Euro 50,000 for each Non-Executive Director;
- an additional Euro 15,000 for each member of the Audit Committee and Euro 20,000 for the Audit Committee Chairman;
- an additional Euro 7,500 for each member of the Compensation and Nominating Committee and Euro 10,000 for the Compensation and Nominating Committee Chairman.

In 2018, the above remuneration has been paid to the Non-Executive Directors and, on a pro-rata basis, to the Non-Executive Directors who left the Company.

Incentive Plans for Executive Directors and management

By means of the resolution adopted by the general meeting of shareholders, the Company resolved to maintain effective all the stock option plans already established by EXOR S.p.A. (now EXOR N.V.) in order to attract, retain and motivate directors as well as employees and other individuals having business relationships with EXOR to reward such persons for their loyalty and commitment to the long-term value creation of EXOR (the "Stock Option Plans").

The Remuneration Policy has proven to be effective in terms of establishing a correlation between EXOR's strategic goals and the chosen performance instrument (Stock Option Plan), as the main key performance instrument of our CEO's long-term incentive, which represents a significant part of the CEO compensation package, which supports both EXOR's business strategy and the value creation for our shareholders, being stock appreciation.

The Long-term incentive compensation is an important component of the Executive Directors' compensation structure and, in addition, a tool to motivate and reward employees of the Company. This compensation component is designed to:

- align the interest of our Executive Directors and other key contributors with the interests of our shareholders;
- motivate the attainment of Company performance goals and reward sustained shareholder value creation; and
- serve as an important attraction and long-term retention tool that management and the Compensation and Nominating Committee use to strengthen loyalty to the Company.

The Long term incentive compensation is a retention plan and for this reason not a performance linked remuneration, however the recipient has to be an employee of EXOR and can only exercise the stock option 3 years after the vesting date, hence in line with the Dutch Corporate Governance Code the Stock Options cannot be exercised during the first three years after they have been granted.

The EXOR 2008-2019 Stock Option Plan

The 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 vesting period ended on 14 May 2016 and therefore no cost has been recorded in 2018. The options are exercisable until 2019.

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 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. 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". At the end of May 2018 the Long Term Stock Grant vested and 124,612 shares has been delivered to the beneficiaries.

Under the second part, denominated as the "Company Performance Stock Option", a maximum of 3,000,000 options are granted, allowing recipients to purchase a corresponding number of shares, conditional on the achievement of a pre-established performance objective and on the continuation of the professional relationship with the Company and with the companies in the Holdings System.

The performance objective, 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, under the 2012 Incentive Plan, 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 was granted automatically 750,000 options giving the right, if the vesting conditions were satisfied, to purchase a corresponding number of the Company's ordinary shares at an exercise price of Euro 16.59.

At the end of May 2018, the Company Performance Stock Options vested 1,019,200 options of which 450,000 to the Chief Executive Officer and 569,200 to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price per share of €16.59 and €16.62, respectively. The options are exercisable until 2021.

The plan is serviced exclusively from 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.

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 and constitutes a share-based compensation instrument. The plan provides for the granting of a maximum 3,500,000 options which will enable recipients (i.e. the Chief Executive Officer and employees of the Company from time to time identified by the Chief Executive Officer as beneficiaries of the plan) to purchase a corresponding number of the Company's shares conditional on the continuation of the professional relationship with the Company or companies EXOR controls in the period between the grant date and the vesting date.

The options are granted once at the date of joining the plan (after being identified by the Chief Executive Officer as beneficiary) and vest on 30 May each year as follows:

- in five equal annual quotas, beginning in 2017, for options granted prior to 31 December 2016;
- in four equal annual quotas, beginning in 2018, for options granted between 1 January and 31 December 2017;
- in three equal annual quotas, beginning in 2019, for options granted between 1 January and 31 December 2018;
- in two equal annual quotas, beginning in 2020, for options granted between 1 January and 31 December 2019; and
- in a single quota, on 30 May 2021, for options granted between 1 January and 31 December 2020.

The vesting of the options as herein described will be definitive. Each option may be exercised after 3 years from the vesting of the options and until 31 December 2026 and recipients who do not exercise their options by that date will cease to have any rights.

The plans will be serviced exclusively through treasury shares of the Company, without recourse to the issue of shares and, therefore, will not have a dilutive effect. If so required, the Company will purchase, in compliance with the applicable regulations, a quantity of own shares sufficient to cover the entire plan approved by the shareholders. In connection with the servicing of the plan no other financial instrument will be issued by the Company or by its subsidiary or by third parties.

Director and Officer Overlaps

There is an overlap between the composition of the Board of Directors of Giovanni Agnelli B.V. and that of the Board of Directors of the Company.
More specifically, John Elkann, Alessandro Nasi and Andrea Agnelli are also Directors of Giovanni Agnelli B.V. of which John Elkann is also the Chairman.

Treatment on cessation of office and non-competition agreements

There are no severance agreements between the Company and its Directors which provide for indemnities in the event of early termination of the relationship or for the granting or maintaining of non-monetary benefits for Directors who have left the Company or for consulting arrangements covering periods after termination of the relationship or for compensation for non-competition agreements.

Non-monetary benefits and supplementary insurance coverage

In line with best practice in the field of compensation and in consideration of the specific responsibilities assigned, the compensation plans of Directors include non-monetary benefits (such as, reimbursement of expenses for travel outside the municipality of residence). For all Directors there is also insurance cover for directors' civil liability relating to claims for compensation for non-fraudulent acts performed in the performance of the director's duties. All the aforesaid being in addition to the reimbursement of out-of-pocket expenses incurred in the performance of the activities associated with the responsibilities assigned.
There are no pension arrangements in place for the Directors.

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 2018.
The data in the tables relates to Board positions held in the Company and in the listed and non-listed (operating) subsidiaries.

In addition the Share Ownership table sets out the number of common shares of EXOR and the subsidiaries, owned by EXOR Directors at the end of February 2019.

Directors' Compensation

The following table summarizes the remuneration paid to the members of the Board of Directors for the year ended 31 December 2018.

			EXOR NV					OTHER (1)	TOTAL
	Office held	In office from/to	Salary /Annual fee (cash) (€)	Compensation / Annual Fee (equity) (€)	Bonus and other (non equity)	Committee (€)	Total (€)	Total Compensation (€)	(€)
Directors of EXOR N.V.									
ELKANN John Philip	Chairman and CEO	1/1/2018 - 31/12/2018	851,776	3,696,373	873,362		5,421,511	3,527,238	8,948,749
NASI Alessandro	Vice Chairman	1/1/2018 - 31/12/2018	0 (2)			7,500	7,500	2,122,129	2,129,629
AGNELLI Andrea	Director	1/1/2018 - 31/12/2018	0 (2)				0	668,990	668,990
ELKANN Ginevra	Director	1/1/2018 - 31/12/2018	0 (2)				0		0
BOLLAND Marc	Director	1/1/2018 - 31/12/2018	50,000			8,333	58,333		58,333
BAE Joseph	Director	30/05/2018 - 31/12/2018	0 (3)			0 (3)	0		0
BETHELL Melissa	Director	1/1/2018 - 31/12/2018	50,000			11,667	61,667		61,667
DEBROUX Laurence	Director	1/1/2018 - 31/12/2018	50,000			8,750	58,750		58,750
FENTENER VAN VLISSINGEN Annemiek	Director	1/1/2018 - 31/12/2018	50,000			15,000	65,000		65,000
HORTA-OSORIO Antonio	Director	1/1/2018 - 31/12/2018	50,000			5,833	55,833		55,833
MARCHIONNE Sergio	Vice Chairman	1/1/2018 - 7/20/2018	0 (2)				0	28,271,667	28,271,667
CAMERANA Niccolò	Director	1/1/2018 - 30/05/2018	0 (2)				0		0
RATTAZZI Lupo	Director	1/1/2018 - 30/05/2018	0 (2)			6,250	6,250		6,250
SPEYER Robert	Director	1/1/2018 - 30/05/2018	20,833			3,125	23,958		23,958
VOLPI Michelangelo	Director	1/1/2018 - 30/05/2018	20,833			4,167	25,000	173,588	198,588
WERTHEIMER Ruth	Director	1/1/2018 - 30/05/2018	20,833				20,833		20,833
Total			**1,164,276**	**3,696,373**	**873,362**	**70,625**	**5,804,636**	**34,763,612**	**40,568,248**

(1) Related to FCA, CNH Industrial, Ferrari, PartnerRe and Juventus, for the respective positions held.
(2) Directors have waived their right to the emolument of €50,000 resolved by the EXOR Shareholders' Meeting.
(3) Director has waived his right to the emolument of €33,964 resolved by the EXOR Shareholders' Meeting (€29,589 for Salary/Annual Fee and €4.375 for Committee).

With regards to the remuneration received from the subsidiaries FCA, CNH Industrial, Ferrari, PartnerRe and Juventus, reference should be made to the information published in their respective financial statement.

Stock options Granted to Directors

The following table summarizes outstanding stock options held by EXOR N.V. Directors as of 31 December 2018:

Name/Plan	Grant Date	Exercise price	at 1 January 2018 Granted and not vested	Granted	Vested	Expired	at 31 December 2018 Granted and not vested
Directors of EXOR N.V.							
Elkann John Philip / EXOR Company Performance stock option plan	29/05/2012	€16.59	150,000		150,000		0
Elkann John Philip / EXOR 2016 Plan	1/7/2016	€32.38	1,611,160		402,790		1,208,370
Nasi Alessandro / CNHI EIP 2012	7/9/2012	$8.78	70,929		70,929		0

The following table gives an overview of the share plans held by EXOR N.V. Directors as of 31 December 2018:

Name/Plan	Grant Date	Vesting Date	Number of shares under award at 1 January 2018	FV on Grant Date	Shares Granted	Shares Vested	Shares Forfeited	Number of shares under award at 31 December 2018
Directors of EXOR N.V.								
Marchionne Sergio / FCA LTI awards (1) (2) (3)	16/04/2015	2017/2018/2019	4,472,800	$14.84		2,805,935		1,561,165
Marchionne Sergio / 2014/2018 CNH RSU	9/6/2014	31/12/2016, 31/12/2017, 31/12/2018	450,000	$10.41		450,000		-
Marchionne Sergio / 2017/2021 Ferrari PSU (4)	14/04/2017	2019/2020/2021	450,000	€68.18-€72.06				450,000
Nasi Alessandro / 2015 CNH RSU	9/6/2015	9/6/2015-9/6/2018	5,067	$8.35		5,067		-
Nasi Alessandro / 2016 CNH RSU	9/6/2015	9/6/2016-9/6/2019	12,534	$7.43		6,267		6,267
Nasi Alessandro / 2017 CNH PSU	22/12/2017	22/12/2017-28/2/2020	184,000	$6.84				184,000
Nasi Alessandro / 2017 CNH RSU	22/12/2017	22/12/2017-30/6/2020	92,000	$12.69		30,666		61,334

1) *In January 2018, the FCA 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	16.696	4,489,496

(2) *Shares Vested represents the maximum opportunity for the second vesting of the former CEO's equity award.*

(3) *The target number of units to be delivered in the 2019 vest will be 1,516,165 outstanding units at 31 December 2018. This amount has been calculated in accordance with the Special Equity Vesting Terms included in the formers FCA CEO's employment agreement. The award will remain subject in all respects to the achievement of applicable performance goals.*

(4) *The former Chairman and Chief Executive Officer of Ferrari was the beneficiary of PSU awards under the Company's equity incentive plan. Under the terms and conditions of the applicable award agreement, such PSUs remain outstanding following Mr. Marchionne's death in July 2018 for the benefit of his heirs and are eligible to be earned based on the actual performance of the Company and in accordance with the other terms and conditions of the award agreement.*

The total cost recognized in 2018 by the Company in connection with the stock options plans and the share plans referenced above was approximately €21 million, of which €3.7 million related to the Chairman and CEO and €17.3 million to the other board members, in particular related to the plans granted by Ferrari, CNH Industrial and FCA.

Share Ownership

The following table summarizes the number of common shares of EXOR N.V. and its subsidiaries owned by EXOR N.V. directors at the end of February 2019:

	EXOR N.V. common shares	FCA N.V. common shares	CNH Industrial N.V. common shares	Ferrari N.V. common shares	JUVENTUS S.p.A. ordinary shares
Directors of EXOR N.V.					
ELKANN John Philipp		133,000		15,375	
NASI Alessandro		3,750	307,282	375	
AGNELLI Andrea		36,102		1,122	38,565
FENTENER VAN VLISSINGEN Annemiek	2,100				
HORTA-OSORIO Antonio	3,818				

RISK FACTORS FROM SUBSIDIARIES

RISK FACTORS FROM SUBSIDIARIES

The following paragraphs indicate the specific main risks and uncertainties of the companies in consolidation (FCA, PartnerRe, CNH Industrial and Ferrari).

FCA

Risks related to the Group's business, strategy and operations

FCA- If vehicle shipment volumes deteriorate, particularly shipments of the Group's pickup trucks and larger sport utility vehicles in the U.S. retail market, the results of operations and financial condition of the Group will suffer

As is typical for an automotive manufacturer, the Group has significant fixed costs 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 68 percent of total U.S. retail vehicle shipments in 2018. 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 2018 as it continued implementation of its plan to reallocate more production capacity to these vehicle types after ceasing production in the region of compact and mid-size passenger cars in 2016. The Group's dependence on these vehicles is expected to continue given the 2018-2022 business plan's focus on pickup trucks and SUVs in the NAFTA region.

Moreover, the Group tends to operate with negative working capital as it generally receives payment for vehicles within a few days of shipment, whereas there is a lag between the time when parts and materials are received from suppliers and when the Group pays for such parts and materials; therefore, 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 (including tariffs), 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, on June 23, 2016, a majority of voters in a national referendum in the United Kingdom ("UK") voted in favor of the UK leaving ("Brexit") the European Union (the "EU"). On March 29, 2017, the UK government submitted an Article 50 notification pursuant to the Treaty of the European Union, triggering a two year negotiation period to determine the terms of the UK's withdrawal from the EU and the UK's future relationship with the EU. During this time, the government of the UK may revoke its notification to leave the EU or extend the Article 50 negotiation period. The referendum has created significant uncertainty about the future relationship between the UK and the EU. On November 14, 2018, the EU and UK government agreed the terms of a withdrawal agreement that must be ratified by the UK and the European Parliament ahead of the UK's withdrawal on March 29, 2019. It remains unclear whether the withdrawal agreement, or any alternative agreement, will be finalized and ratified ahead of this deadline. In this case, and if the Article 50 negotiation period is not extended or the Article 50 notification revoked, there will be no transitional period and a "no-deal" Brexit will occur on March 29, 2019. The UK will then revert to trading on World Trade Organization rules.

Although FCA does not believe Brexit, including a no-deal Brexit, would have a direct material impact on its operations or materially impact its tax expense, a no-deal Brexit or the terms of the final withdrawal agreement may result in greater restrictions on imports and exports between the UK and EU countries, a fluctuation in currency exchange rates and additional regulatory complexity, which could have a material adverse effect on FCA's business, financial condition and results of operations. Further, the UK referendum has given new impetus to independence movements in Scotland and Northern Ireland (and to a lesser extent, Wales) to remain in the EU by separating from the UK. It has also inspired certain political parties within other EU member states to consider withdrawal and raised the possibility of referendums on continued EU membership in other EU member states. Any of these events, along with any political, economic and regulatory changes that may occur, could have a material adverse effect on the Company's business and results of operations in Europe.

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 was to default on its debt or withdraw from the euro currency, or, in a more extreme circumstance, the euro currency was to be dissolved entirely, the impact on markets around the world, and on the Company's global business, could be immediate and significant.

New or revised agreements between the U.S. and its trading partners may also impact our business, in particular with respect to our production of vehicles outside the U.S. for import into the U.S., particularly from Canada, Mexico and Italy. Any new policies and any steps FCA may take to address such agreements could have a material adverse effect on its business, financial condition and results of operations.
There has been a recent and significant increase in activity and speculation regarding tariffs and duties between the U.S. and its trading partners. Tariffs or duties implemented between the U.S. and its trading partners could have a material adverse effect on FCA's business, financial condition and results of operations. Tariffs or duties that directly impact FCA products could reduce consumer demand and/or make its products less profitable. In addition, a continued escalation in tariff or duty activity between the U.S. and its major trading partners could negatively impact global economic activity, which could in turn reduce demand for the Group's products.
In addition, FCA and other Brazilian taxpayers have recently had significant disputes with the Brazilian tax authorities regarding the application of Brazilian tax law.

While FCA believes that it is more likely than not that there will be no significant impact from these disputes, given the current economic conditions and political uncertainty in Brazil, new tax laws may be introduced, changes to the application of existing tax laws may occur or the realization of accumulated tax benefits may be limited, delayed or denied, which could have a material adverse effect on the Group's 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 volume growth and margin expansion strategies reflected in Group's business plan include the renewal of key products, the launch of white space products, the implementation of various electrified powertrain applications and partnerships relating to the development of autonomous driving technologies.

These strategies have required and will continue to require significant investments in products, powertrains, production facilities and distribution networks. If the Group is unable to achieve its volume growth and margin expansion goals, it may be unable to earn a sufficient return on these investments which could have a material adverse effect on its business, financial condition and results of operations.

FCA - Future performance depends on the Group's ability to offer innovative, attractive products

The Group's success depends on, among other things, its ability to develop innovative, high-quality products that are attractive to consumers and provide adequate profitability.

The Group may not be able to effectively compete with other automakers with regard to electrification, autonomous driving, mobility and other emerging trends in the industry. In certain cases, the technologies that the Group plans to employ are not yet commercially practical and depend on significant future technological advances by the Group, its partners and by suppliers. There can be no assurance that these advances will occur in a timely or feasible manner, that the funds the Group has budgeted or expended for these purposes will be adequate, or that it will be able to obtain rights to use these technologies. Further, competitors and others are pursuing similar technologies and other competing technologies, and there can be no assurance that they will not acquire and implement similar or superior technologies sooner than the Group will or on an exclusive basis or at a significant cost advantage.

In addition, as a result of the extended product development cycle and inherent difficulty in predicting consumer acceptance, a vehicle that the Group believes will be attractive may not generate sales in sufficient quantities and at high enough prices to be profitable. It generally takes two years or more to design and develop a new vehicle, and a number of factors may lengthen that schedule. For example, if the Group determines that a safety or emissions defect, a mechanical defect or a non-compliance with regulation exists with respect to a vehicle model prior to retail launch, the launch of such vehicle could be delayed until the Group remedies the defect or non-compliance. Various elements may also contribute to consumers' acceptance of new vehicle designs, including competitors' product introductions, fuel prices, general economic conditions and changes in styling preferences.

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 its competitors that own and operate U.S. captive 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 became 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. 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 FCA continues to evaluate their specific impact, these regulations could materially adversely affect its business, financial condition and results of operations.

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

On January 10, 2019, FCA announced that FCA US reached final settlements on civil, environmental and consumer claims with the U.S. Environmental Protection Agency ("EPA") , U.S. Department of Justice, the California Air Resources Board, the State of California, 49 other States and U.S. Customs and Border Protection, for which it has accrued €748 million, of which approximately €350 million will be paid in civil penalties to resolve differences over diesel emissions requirements. FCA also announced that FCA US had reached settlements in connection with a putative class action on behalf of consumers in connection with which FCA US agreed to pay an average of $2,800 per vehicle for each eligible customer affected by the recall.

FCA remains subject to diesel emissions-related investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice, Criminal Division. In addition, the Group remains subject to a number of related private lawsuits and the potential for additional claims by consumers who choose not to participate in the class action settlement.

The Group has also received inquiries from other regulatory authorities in a number of jurisdictions as they examine the on-road tailpipe emissions of several automakers' vehicles and, when jurisdictionally appropriate, the Group continues to cooperate with these governmental agencies and authorities.

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"). It also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for FCA vehicles, and it discussed the KBA reported test results, its emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its exclusive jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. Thereafter, mediations have been held under European Commission ("EC") rules, between the MIT and the German Ministry of Transport and Digital Infrastructure, which oversees the KBA, in an effort to resolve their differences. The mediation was concluded with no action being taken with respect to FCA. In May 2017, the EC announced its intention to open an infringement procedure against Italy regarding Italy's alleged failure to respond to EC's concerns regarding certain FCA emission control calibrations. The MIT has responded to the EC's allegations by confirming that the vehicles' approval process was correctly performed.

In addition, at the request of the French Consumer Protection Agency, the Juge d'Instruction du Tribunal de Grande Instance of Paris is investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws. In December 2018, the Korean Ministry of Environment announced its determination that 2,428 FCA vehicles imported in Korea during 2015, 2016 and 2017 were not emissions compliant and that the vehicles with a subsequent update of the emission control calibrations voluntarily performed by FCA, although compliant, would have required re-homologation of the vehicles concerned.
While FCA believes that it has made meaningful progress in resolving a significant portion of the emissions related investigations and litigation, the results of the unresolved inquiries and private litigation cannot be predicted at this time.

Those inquiries and litigation may lead to further enforcement actions, penalties or damage awards, any of which may have a material adverse effect on the Group's business, results of operations and reputation.

FCA - The Group's success largely depends on the ability of the management team to operate and manage effectively

The Group's success largely depends on the ability of its senior executives and other members of management to effectively manage the Group and individual areas of the business. The Group's management team is critical to the execution of the Group's strategic direction and implementation of its business plan.

The Group has developed succession plans that it believes are appropriate, although it is difficult to predict with any certainty that it will be able to replace these individuals with persons of equivalent experience and capabilities. If the Group is unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, such inability could have a material adverse effect on its business, financial condition and results of operations.

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

The Group has for some time advocated for 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.

FCA - The automotive industry is highly competitive and cyclical and the Group may suffer from those factors more than some of its competitors

Substantially all of the Group's revenues are generated in the automotive industry, which is highly competitive, encompassing the production and distribution of passenger cars, light commercial vehicles and components and production systems. The Group faces competition from other international passenger car and light commercial vehicle manufacturers and distributors and components suppliers in Europe, North America, Latin America and the Asia Pacific region. These markets are all highly competitive in terms of product quality, innovation, the introduction of new technologies, pricing, fuel economy, reliability, safety, consumer service and financial services offered, 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 and the incorporation of new technologies in those 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 the event that FCA establishes a captive financial services company in the U.S., it will be subject to the risks inherent in such businesses, including reliance on public debt markets to provide the capital necessary to support our financing programs, underwriting risk, default risk, compliance with laws and regulations related to consumer lending and competition with other consumer finance companies and third-party financial institutions.

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. As a result, a substantial increase in consumer interest rates or tightening of lending standards could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group is involved in various disputes, claims, lawsuits, investigations and other legal proceedings relating to several matters, including product liability, warranty, vehicle safety, emissions and fuel economy, product performance, asbestos, personal injury, dealers, suppliers and other contractual relationships, 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 *" FCA - 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 complex systems that control various vehicle processes including engine, transmission, safety, steering, brakes, window and door lock functions. These electronic control systems, which are increasingly connected to external cloud-based systems, are susceptible to cybercrime, including threats of intentional disruption and theft of personal information. These threats are also likely to increase in terms of sophistication and frequency as the level of connectivity and autonomy in its vehicles increases. A significant malfunction, disruption or security breach compromising the electronic control systems contained in the Group's vehicles could damage its reputation, expose it to significant liability and could have a material adverse effect on its business, financial condition and results of operations.

FCA - A significant malfunction, disruption or security breach compromising the operation of the Group's information technology systems could damage its reputation, disrupt its business and adversely impact its ability to compete

The Group's ability to keep its business operating effectively depends on the functional and efficient operation of its information, data processing and telecommunications systems, including the vehicle design, manufacturing, inventory tracking and billing and payment systems. These systems are regularly the target of threats from third parties. A significant or large-scale malfunction or interruption of any one of the Group's computer or data processing systems, including through the exploitation of a weakness in its systems or the systems of its vendors, could have a material adverse effect on its ability to manage and keep its manufacturing and other operations running effectively, and damage its reputation.

A malfunction or security breach that results in a wide or sustained disruption to its business could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition to supporting its operations, the Group uses its systems to collect and store confidential and sensitive data, including information about its business, its consumers and its employees. As its technology continues to evolve, the Group anticipates that it will collect and store even more data in the future and that its systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of the Group's value is derived from its confidential business information, including vehicle design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, it may lose its competitive advantage and its vehicle shipments may suffer. The Group also collects, retains and uses personal information, including data it gathers from consumers for product development and marketing purposes, and data it obtains from employees. In the event of a breach in security that allows third parties access to this personal information, the Group is subject to a variety of ever-changing laws on a global basis that require it to provide notification to the data owners, and that subject it to lawsuits, fines and other means of regulatory enforcement. For example, the General Data Protection Regulation (Regulation (EU) 2016/679) (the "GDPR"), which took effect in May 2018, has increased the stringency of European Union data protection requirements and related penalties. Non-compliance with the GDPR can result in fines of the higher of €20 million or 4% of annual worldwide revenue. The requirements of the GDPR have necessitated changes to existing business practices and systems in order to comply with the GDPR or to address the concerns of the Group's customers or business partners. Complying with any new data protection-related regulatory requirements could force the Group to incur substantial expenses or require it to change its business practices in a manner that has a material adverse effect on its business, financial condition and results of operations.

The Group's reputation could also suffer in the event of a data breach, which could cause consumers to purchase their vehicles from its competitors. Ultimately, any significant compromise in the integrity of the Group's data security could have a material adverse effect on its business, financial condition and results of operations.

FCA - There can be no assurance that the Group will be able to offset the earnings power lost from the expected sale of Magneti Marelli

On October 22, 2018, FCA announced that it has entered into a definitive agreement with CK Holdings, Ltd., a holding company of Calsonic Kansei Corporation, pursuant to which CK Holdings, Ltd. will acquire the Group's automotive components business, Magneti Marelli. The agreement represents a transaction value of €6.2 billion, subject to certain adjustments. This transaction is expected to close in the second quarter of 2019, subject to regulatory approvals and other customary closing conditions and, subject to Board of Directors approval, will enable the payment of an extraordinary dividend of €2 billion at closing.

If the improvement in the Group's capital position resulting from the sale of Magneti Marelli is not sufficient to offset the related loss of revenue and earnings, it could experience 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 the GAC FCA JV locally produces the Jeep Cherokee, Jeep Renegade, Jeep Compass and all-new Jeep Grand Commander for the Chinese market, expanding the portfolio of Jeep SUVs currently available to Chinese consumers. The Group also has a joint operation with TATA Motors Limited for the production of certain of the Group's vehicles, engines and transmissions in India.

The Group's reliance on joint arrangements to enter or expand its presence in these markets may expose it to risk of conflict with its joint arrangement partners and the need to divert management resources to oversee these shareholder arrangements. Further, as these arrangements require cooperation with third party partners, these joint arrangements may not be able to make decisions as quickly as the Group would if it was operating on its own or may take actions that are different from what the Group would do on a standalone basis in light of the need to consider its partners' interests. As a result, the Group may be less able to respond timely to changes in market dynamics, which could have a material adverse effect on its business, financial condition and results of operations.

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. As the Group begins to implement various electrified powertrain applications throughout its portfolio in accordance with its business plan, it will also depend on a significant supply of lithium, nickel and cobalt. 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, including government policy, that are 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 and availability 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, trade restrictions, tariffs, 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. Further, there can be no assurance that trade restrictions and tariffs will not be imposed, and if imposed, tariffs and other trade restrictions may make the cost of required raw materials more expensive or delay or limit the Group's access to these raw materials, each of which could have a material adverse effect on its business, financial condition and results of operations.

Any interruption in the supply or any increase in the cost of raw materials, parts, components and systems could negatively impact the Group's ability to achieve its vehicle shipment objectives and profitability. The potential impact of an interruption is particularly high in instances where a part or component is sourced exclusively from a single supplier. Long-term interruptions in supply of raw materials, parts, components and systems may result in a material impact on vehicle production, vehicle shipment objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, could have a material adverse effect on the Group's business, financial condition and results of operations.

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 - 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 FCA'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 adequate liquidity, its liquidity is subject to significant potential absorption if its vehicle shipments decline materially as it operates with negative working capital. In addition, the majority of FCA's credit ratings are below investment grade and any deterioration may significantly affect its 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 substantially completed the de-leveraging of its balance sheet this year, 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 FCA'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 - 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, 2018, defined benefit pension plans were underfunded by approximately €4.0 billion and may be subject to significant minimum contributions in future years.

The Group's pension funding obligations may increase significantly if the investment performance of plan assets does not keep pace with benefit payment obligations. Mandatory funding obligations may increase because of lower than anticipated returns on plan assets, whether as a result of overall weak market performance or particular investment decisions, changes in the level of interest rates used to determine required funding levels, changes in the level of benefits provided for by the plans, or any changes in applicable law related to funding requirements. The Group's defined benefit plans currently hold significant investments in equity and fixed income securities, as well as investments in less liquid instruments such as private equity, real estate and certain hedge funds. Due to the complexity and magnitude of certain investments, additional risks may exist, including the effects of significant changes in investment policy, insufficient market capacity to complete a particular investment strategy and an inherent divergence in objectives between the ability to manage risk in the short term and the ability to quickly re-balance illiquid and long-term investments.

To determine the appropriate level of funding and contributions to its defined benefit plans, as well as the investment strategy for the plans, the Group is required to make various assumptions, including an expected rate of return on plan assets and a discount rate used to measure the obligations under defined benefit pension plans. Interest rate increases generally will result in a decline in the value of investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases will generally increase the value of investments in fixed income securities and the present value of the obligations.

Any reduction in the discount rate or the value of plan assets, or any increase in the present value of obligations, may increase pension expenses and required contributions and, as a result, could constrain liquidity and materially adversely affect the Group's financial condition and results of operations. If the Group fails to make required minimum funding contributions, it could be subject to reportable event disclosure to the U.S. Pension Benefit Guaranty Corporation, as well as interest and excise taxes calculated based upon the amount of any funding deficiency.

Risks related to FCA's common shares

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

FCA's loyalty voting structure may limit the liquidity of its common shares and adversely affect the trading prices of the common shares. The loyalty voting structure is intended to reward shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding FCA common shares continuously for at least three years at any time following the effectiveness of the Merger the option to elect to receive special voting shares.
FCA special voting shares cannot be traded and, immediately prior to the deregistration of common shares from the FCA Loyalty Register, any corresponding special voting shares shall be transferred to the Company for no consideration (*om niet*). This loyalty voting structure is designed to encourage a stable shareholder base and, conversely, it may deter trading by those shareholders who are interested in gaining or retaining FCA special voting shares. Therefore, the loyalty voting structure may reduce liquidity in the common shares and adversely affect their trading price.

FCA - The loyalty voting structure may make it more difficult for shareholders to acquire a controlling interest, change Group management or strategy or otherwise exercise influence over the Group, and the market price of the common shares may be lower as a result

The provisions of FCA's articles of association which establish the loyalty voting structure may make it more difficult for a third party to acquire, or attempt to acquire, control of the company, even if a change of control were considered favorably by shareholders holding a majority of FCA common shares.

As a result of the loyalty voting structure, a relatively large proportion of its voting power could be concentrated in a relatively small number of shareholders who would have significant influence over the Group. As of February 20, 2019, EXOR N.V., which controls FCA, owns 28.98 percent of the FCA common shares, had a voting interest in FCA of 42.11 percent due to its participation in the loyalty voting structure and as a result will have the ability to exercise significant influence on matters involving its shareholders. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit FCA shareholders. The loyalty voting structure may also prevent or discourage shareholders' initiatives aimed at changing Group management or strategy or otherwise exerting influence over the Group.

FCA - There may be potential Passive Foreign Investment Company tax considerations for U.S. Shareholders

Shares of FCA stock held by a U.S. holder would be stock of a passive foreign investment company ("PFIC") for U.S. federal income tax purposes with respect to a U.S. shareholder if for any taxable year in which such U.S. shareholder held FCA common shares, after the application of applicable look-through rules (i) 75 percent or more of FCA's gross income for the taxable year consists of passive income (including dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury Regulations), or (ii) at least 50 percent of its assets for the taxable year (averaged over the year and determined based upon value) produce or are held for the production of passive income. U.S. persons who own shares of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the dividends they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

While the Group believes that shares of its stock are not stock of a PFIC for U.S. federal income tax purposes, this conclusion is based on a factual determination made annually and thus is subject to change. Moreover, shares of FCA stock may become stock of a PFIC in future taxable years if there were to be changes in FCA's assets, income or operations.

FCA - Tax consequences of the loyalty voting structure are uncertain

No statutory, judicial or administrative authority directly discusses how the receipt, ownership, or disposition of special voting shares should be treated for Italian, UK or U.S. tax purposes and as a result, the tax consequences in those jurisdictions are uncertain.

The fair market value of the Group's special voting shares, which may be relevant to the tax consequences, is a factual determination and is not governed by any guidance that directly addresses such a situation. Because, among other things, the special voting shares are not transferable (other than, in very limited circumstances, together with the associated FCA common shares) and a shareholder will receive amounts in respect of the special voting shares only if the company is liquidated, FCA believes and intends to take the position that the fair market value of each special voting share is minimal. However, the relevant tax authorities could assert that the value of the special voting shares as determined by FCA is incorrect.

The tax treatment of the loyalty voting structure is unclear and shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning and disposing of special voting shares.

FCA - Tax may be required to be withheld from dividend payments

Although the UK and Dutch competent authorities have ruled that FCA should be treated as solely resident in the UK for the purposes of the Netherlands-UK double tax treaty, under Dutch domestic law dividend payments made by FCA to Dutch residents are still subject to Dutch dividend withholding tax and the Group would have no obligation to pay additional amounts in respect of such payments.
Should Dutch or Italian withholding taxes be imposed on future dividends or distributions with respect to FCA's common shares, whether such withholding taxes are creditable against a tax liability to which a shareholder is otherwise subject depends on the laws of such shareholder's jurisdiction and such shareholder's particular circumstances. Shareholders are urged to consult their tax advisors in respect of the consequences of the potential imposition of Dutch and/or Italian withholding taxes.

PARTNERRE

Risks related to PartnerRe's business, strategy and operations

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

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

- 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.

PartnerRe - The catastrophe business that PartnerRe underwrites will result in volatility of its earnings and could impair its financial condition

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. 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. Because catastrophe reinsurance accumulates large aggregate exposures to both man-made and natural disasters, the Company's loss experience in this line of business could be characterized as low frequency and high severity. Although it may attempt to exclude losses from terrorism and certain other similar risks from some coverage it writes, PartnerRe 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 the Company.

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 impairment of its financial condition 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 it is unable to replenish its capital.

PartnerRe - If actual losses exceed PartnerRe's estimated loss reserves, its net income and capital position will be reduced

PartnerRe's success depends upon its ability to accurately assess the risks associated with the businesses that it reinsures. The Company establishes loss reserves to cover its estimated liability for the payment of all losses and loss expenses incurred with respect to premiums earned on the (re)insurance contracts that it writes. Loss reserves are estimates involving actuarial and statistical projections at a given time to reflect the Company's expectation of the costs of the ultimate settlement and administration of claims. Although it uses actuarial models as well as historical reinsurance and insurance industry loss statistics, PartnerRe also relies heavily on data provided by counterparties and on management's experience and judgment to assist in the establishment of appropriate claims and claim expense reserves. Because of the many assumptions and estimates involved in establishing reserves, the reserving process is inherently uncertain.

PartnerRe's estimates and judgments are based on numerous factors and may be revised as additional experience and other data become available and are reviewed as new or improved methodologies are developed, as loss trends and claims inflation impact future payments, or as current laws or interpretations thereof change. Estimates of losses are based on, among other things, a review of potentially exposed contracts, information reported by and discussions with counterparties, and its estimate of losses related to those contracts and are subject to change as more information is reported and becomes available. Losses for casualty and liability lines often take a long time to be reported, and frequently can be impacted by lengthy, unpredictable litigation and by the inflation of loss costs over time. Changes in the level of inflation also result in an increased level of uncertainty in the Company's estimation of loss reserves, particularly for long-tail lines of business. As a consequence, actual losses and loss expenses paid may deviate substantially from the reserve estimates reflected in PartnerRe's financial statements.

Through various acquisitions, PartnerRe assumed certain asbestos and environmental exposures 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 its potential losses. These liabilities are especially hard to estimate for many reasons, including the long delays between exposure and manifestation of any bodily injury or property damage, difficulty in identifying the source of the asbestos or environmental contamination, long reporting delays and difficulty in properly allocating liability for the asbestos or environmental damage. Certain of PartnerRe's subsidiaries have received and continue to receive notices of potential reinsurance claims from ceding insurance companies, which have in turn received claims asserting asbestos and environmental losses under primary insurance policies, in part reinsured by the Company. Such claims notices are often precautionary in nature and are generally unspecific, and the primary insurers often do not attempt to quantify the amount, timing or nature of the exposure. Given the lack of specificity in some of these notices, and the legal and tort environment that affects the development of claims reserves, the uncertainties inherent in valuing asbestos and environmental claims are not likely to be resolved in the near future. It is difficult to predict the timing of such events or estimate the amount of loss any given occurrence will generate. Reserves for potential losses associated with catastrophic events are established at the time an event that may give rise to such losses occurs. If such an event were to occur, PartnerRe's reported income would decrease in the affected period. In particular, unforeseen large losses could reduce the Company's profitability or impair its financial condition. If ultimate losses and loss expenses exceed the reserves currently established, the Company will be required to increase loss reserves in the period in which it identifies the deficiency to cover any such claims. As a result, even when losses are identified and reserves are established for any line of business, ultimate losses and loss expenses may deviate, perhaps substantially, from estimates reflected in loss reserves in the Company's financial statements. Variations between loss reserve estimates and actual emergence of losses could be material and could have a material adverse effect on PartnerRe's results of operations and financial condition.

PartnerRe - Given the inherent uncertainty of models, the usefulness of PartnerRe's proprietary and third-party models as a tool to evaluate risk is subject to a high degree of uncertainty that could result in actual losses that are materially different than its estimates including probable maximum losses (PMLs), significantly impacting the Company's financial results and condition

PartnerRe uses its own proprietary catastrophe models and third-party vendor analytic and modeling capabilities to provide an objective risk assessment relating to 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 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. The Company runs many model simulations in order to understand the impact of these assumptions on its catastrophe loss potential. Furthermore, there are risks associated with catastrophe events, which are either poorly represented or not represented at all by catastrophe models.

Each modeling assumption or un-modeled risk introduces uncertainty into PML estimates that management must consider.

These uncertainties can include, but are not limited to, the following:

- The models do not address all the possible hazard characteristics of a catastrophe peril (e.g. the precise path and wind speed of a hurricane);
- The models may not accurately reflect the true frequency of events;
- The models may not accurately reflect a risk's vulnerability or susceptibility to damage for a given event characteristic;
- The models may not accurately represent loss potential to reinsurance contract coverage limits, terms and conditions; and
- The models may not accurately reflect the impact on the economy of the area affected or the financial, judicial, political, or regulatory impact on insurance claim payments during or following a catastrophe event.

The Company's PMLs are selected after assessment of multiple third-party vendor model 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 and financial condition may be adversely impacted, perhaps significantly.

PartnerRe - 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, which would impact PartnerRe's financial condition and cause its reported income to decrease in the affected period

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. The Company monitors and adjusts, as it believes appropriate, its risk management models to reflect its judgment of how to interpret current developments and information, such as these studies. PartnerRe 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.

PartnerRe - PartnerRe's net income may be volatile because certain Life products expose it to reserve and fair value liability changes that are directly affected by market risk and other factors and are based upon various assumptions

The pricing and establishment of reserves for future policy benefits and the valuation of life insurance and annuity products in PartnerRe's Life and Health segment are based upon various assumptions, including but not limited to market changes, mortality rates, morbidity rates and policyholder behavior. The process of establishing reserves for future policy benefits relies on the Company's ability to accurately estimate insured events that have not yet occurred but that are expected to occur in future periods, as well as assumptions for investment returns. Significant deviations in actual experience from assumptions used for pricing and for establishing reserves for future policy benefits could have an adverse effect on the profitability of PartnerRe's products, and its business and its financial results and condition.

Under reinsurance programs covering variable annuity guarantees PartnerRe assumes the risk of guaranteed minimum death benefits (GMDB). The Company's net income is directly impacted by changes in the reserves calculated in connection with the reinsurance of GMDB liabilities. Reported liabilities for GMDB reinsurance are determined using internal valuation models. Such valuations require considerable judgment and are subject to significant uncertainty.
The valuation of these products is subject to fluctuations arising from, among other factors, changes in interest rates, changes in equity markets, changes in credit markets, changes in the allocation of the investments underlying annuitant's account values, and assumptions regarding future policyholder behavior.

Adverse changes in market factors and policyholder behavior will have an impact on both life underwriting income and net income. These risks may increase as the Company seeks to expand its Life and Health business.

In addition, the reserves that PartnerRe has established may be inadequate. If ultimate losses and loss expenses exceed the reserves currently established, the Company will be required to increase loss reserves in the period in which it identifies the deficiency to cover any such claims. As a result, even when losses are identified and reserves are established for any line of business, ultimate losses and loss expenses may deviate, perhaps substantially, from estimates reflected in loss reserves in the Company's financial statements. Variations between PartnerRe's loss reserve estimates and actual emergence of losses could be material and could have a material adverse effect on its results of operations and financial condition.

PartnerRe - PartnerRe relies on a few reinsurance brokers for a large percentage of its business; loss of business provided by these brokers would reduce the Company's premium volume and net income

PartnerRe produces its business both through brokers and through direct relationships with insurance company clients. For the year ended December 31, 2018 more than 70% of its gross premiums written were produced through brokers. In 2018, the Company had two brokers that accounted for 42% 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 the Company's premium volume and net income.

PartnerRe - PartnerRe is exposed to credit risk relating to its reinsurance brokers and cedants

In accordance with industry practice, PartnerRe may pay amounts owed under its reinsurance policies to brokers, and they in turn pay these amounts to the ceding insurer. In some jurisdictions, if the broker fails to make such an onward payment, the Company might remain liable to the ceding insurer for the deficiency. Conversely, the ceding insurer may pay premiums to the broker, for onward payment to PartnerRe in respect of reinsurance policies issued by the Company. In certain jurisdictions, these premiums are considered to have been paid to the Company at the time that payment is made to the broker, and the ceding insurer will no longer be liable to the Company for those amounts, whether or not it has actually received the premiums. PartnerRe may not be able to collect all premiums receivable due from any particular broker at any given time. The Company also assumes credit risk by writing business on a funds withheld basis. Under such arrangements, the cedant retains the premium they would otherwise pay to PartnerRe to cover future loss payments.

PartnerRe - If PartnerRe is downgraded by rating agencies, its standing with brokers and customers could be negatively impacted and may adversely impact its results of operations

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 the Company'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 common shares, preferred shares or debt securities, and are not a recommendation to buy, sell or hold the Company's common shares, preferred shares or debt securities.

PartnerRe's financial strength ratings are subject to periodic review as rating agencies evaluate the Company to confirm that it continues to meet their criteria for ratings assigned to it by them. Such ratings may be revised downward or revoked at the sole discretion of such ratings agencies in response to a variety of factors, including capital adequacy, management strategy, operating earnings and risk profile. In addition, from time to time one or more rating agencies may effect changes in their capital models and rating methodologies that could have a detrimental impact on PartnerRe's ratings. It is also possible that rating agencies may in the future heighten the level of scrutiny they apply when analyzing companies in the industry, may increase the frequency and scope of their reviews, may request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in their models for maintenance of certain rating levels. There can be no assurances that PartnerRe's ratings will remain at their current levels.

If the Company's ratings were downgraded, its competitive position in the reinsurance industry may suffer, and it could result in a reduction in demand for its products. In addition, certain business that PartnerRe writes contains terms that give the ceding company or derivative counterparty the right to terminate cover and/or require collateral if the Company's ratings are downgraded.

PartnerRe's current financial strength ratings are as follows:

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

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 the Company. Disruption in the increasingly volatile financial markets may limit PartnerRe's ability to access capital required to operate its business and it may be forced to delay raising capital or bear a higher cost of capital, which could decrease its profitability and significantly reduce its financial flexibility. The large amounts of industry-wide catastrophe losses in 2018 (resulting from, among other things, hurricanes Florence and Michael, typhoon Jebi in Japan and the California wildfires) has reduced the amount of third-party capital available for investment in the reinsurance industry, potentially making it more difficult and more expensive for the Company to raise additional financing if necessary. In addition, if PartnerRe experiences a credit rating downgrade, withdrawal or negative watch/outlook in the future, it could incur higher borrowing costs and may have more limited means to access capital. If it cannot obtain adequate capital on favorable terms or at all, PartnerRe's business, operating results and financial condition could be adversely affected.

PartnerRe - PartnerRe's investments are subject to interest rate, credit, equity and real estate related risks which may adversely affect its net income and may affect the adequacy of its capital

PartnerRe invests the net premiums it receives unless, or until such time as, it pays out losses and/or until they are made available for distribution to common and preferred shareholders, used to pay interest or redeem debt or preferred shares, or otherwise used for general corporate purposes. Investment results comprise a substantial portion of PartnerRe's income, including net investment income and realized and unrealized gains on investments which are recognized through net income for investments at fair value through profit or loss and in other comprehensive income for available-for-sale investments. The majority of PartnerRe's investments are carried at fair value. An increase in interest rates will result in a decrease in the fair value of its investments and PartnerRe may be forced to liquidate investments prior to maturity at a loss in order to cover liabilities. A decrease in interest rates would have the opposite effect.

PartnerRe is exposed to significant financial and capital market risks, including changes in interest rates, credit spreads, equity and real estate prices, foreign exchange rates, market volatility, the performance of the economy in general and other factors outside its control.

PartnerRe's fixed maturity portfolio is primarily invested in high quality, investment grade securities. It also invests in other investments such as fixed income type mutual funds, notes receivable, loans receivable, private placement bond investments, derivative exposure assumed and other specialty asset classes. These securities generally pay a higher rate of interest and have a higher degree of credit or default risk. These securities may also be less liquid in times of economic weakness or market disruptions.

PartnerRe also invests in preferred and common stocks or equity-like securities. The value of these assets fluctuates with equity markets which are increasingly volatile. In times of economic weakness, the market value and liquidity of these assets may decline and may impact net income and capital. PartnerRe uses the term equity-like investments to describe investments that have market risk characteristics similar to equities and are not investment grade fixed maturity securities. This category includes high yield and convertible fixed maturity investments and private placement equity investments.

Fluctuations in the fair value of its equity-like investments may reduce PartnerRe's income in any period or year and cause a reduction in its capital. As global equity markets are close to historically high levels, there can be no assurance that PartnerRe's equity-like investments will maintain their current levels.

In addition, PartnerRe invests directly and indirectly in real estate assets, which are subject to overall market conditions. The Company has investments in real estate limited partnerships, residential properties owned directly and an investment in a privately held real estate investment and development group, Almacantar Group S.A.(Almacantar) in various locations such as London, New York and Brazil. These real estate assets are exposed to various risks, including the supply and demand of leasable commercial and residential space and fluctuations in real estate prices globally.

PartnerRe - foreign currency fluctuations may reduce PartnerRe's net income and its capital levels

Through its multinational reinsurance operations, PartnerRe conducts business in a variety of foreign (non-U.S.) currencies, the principal exposures being the Euro, British pound, Canadian dollar and Swiss Franc. Accordingly, PartnerRe is subject to legal, economic and market risks associated with operating in countries throughout the world, including devaluations and fluctuations in currency exchange rates, imposition or increase of investment and other restrictions by foreign governments, and the requirement to comply with a wide variety of laws. 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 financial results and condition. The Company 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 at mitigating adverse effects, PartnerRe's financial results or condition may be negatively impacted 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, 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 the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Even if PartnerRe is entitled to collateral when a counterparty defaults, such collateral may be illiquid or proceeds from such collateral when liquidated may not be sufficient to recover the full amount of the obligation. 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 the Company's results of operations, financial condition and liquidity.

PartnerRe - PartnerRe's debt, credit and International Swap Dealers Association (ISDA) agreements may limit its financial and operational flexibility, which may affect the Company's ability to conduct its business

PartnerRe has incurred indebtedness and may incur additional indebtedness in the future. Additionally, it has entered into credit facilities and ISDA agreements (including, without limitation, weather derivatives) 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 its clients in the ordinary course of business.

The agreements relating to its debt, letter of credit facilities and ISDA agreements contain various covenants that may limit PartnerRe's ability, among other things, to borrow money, make particular types of investments or other restricted payments, sell assets, merge or consolidate. Some of these agreements also require PartnerRe to maintain specified ratings and financial ratios. If the Company fails to comply with these covenants or to 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 PartnerRe uses in its operations, including those that participate in its credit facilities, fails or is otherwise unable to meet their commitments, the Company could incur substantial losses and reduced liquidity

PartnerRe maintains cash balances significantly in excess of the U.S. Federal Deposit Insurance Corporation insurance limits at various depository institutions. It also has funding commitments from a number of banks and financial institutions that participate in its credit facilities. Access to funds under these existing credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding requirements.

Those banks may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time, and PartnerRe might be forced to replace credit sources in a difficult market. 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's modeling, underwriting and information technology and application systems are critical to its business and reputation. Moreover, the Company's technology and applications are an important part of its underwriting process and its ability to compete successfully. The Company has also licensed certain systems and data from third parties. PartnerRe cannot be certain that it will have access to these, or comparable service providers, or that its technology or applications will continue to operate as intended. In addition, the Company cannot be certain that it would be able to replace these service providers or consultants without slowing its underwriting response time. A major defect or failure in PartnerRe's internal controls or information technology and application systems could result in management distraction, harm to the Company's reputation, a loss or delay of revenues or increased expense.

PartnerRe - Cybersecurity events could disrupt business operations, result in the loss of critical and confidential information, and adversely impact PartnerRe's reputation and results of operations

PartnerRe is dependent upon the effective functioning and availability of its information technology and application systems platforms. These platforms include, but are not limited to, the Company's proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including 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. 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 have taken protective measures to reduce the risk of Cybersecurity Incident, it cannot reasonably anticipate or prevent all cybersecurity incidents. A cybersecurity incident could expose the Company to a risk of loss or misuse of its information, litigation, reputational damage, violations of applicable privacy and other laws, fines, penalties or losses that are either not insured against or not fully covered by insurance maintained. PartnerRe may be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities. The Company believes there are frequent attempts to breach its cybersecurity measures. For example, in 2018 it encountered a phishing attempt where someone impersonating a senior executive of the Company sought payment; although the payment was initiated, the Company was able to detect the incident in time and stop the payment from being released. PartnerRe cannot give assurance that its systems and processes will be able to identify and prevent such attempts in the future.

PartnerRe - The loss of key management personnel could adversely affect PartnerRe

PartnerRe's success has depended, and will continue to depend, partly upon its ability to attract and retain management personnel. If any of these key management employees ceased to continue in their present role, the Company could be adversely affected.

PartnerRe believes there are only a limited number of available qualified executives in the business lines in which it competes. The Company's ability to execute its business strategy is dependent on its ability to attract and retain a staff of qualified executive officers, underwriters, actuaries and other key personnel. The skills, experience and knowledge of the reinsurance industry of the Company's management team constitute important competitive strengths. If some or all of these managers leave their positions, and even if the Company were able to find persons with suitable skills to replace them, its operations could be adversely affected.

PartnerRe – The business may be adversely impacted by inflation
Deficit spending by governments in PartnerRe's major markets 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 the investment portfolio. Inflation related to medical costs, construction costs and tort issues in particular impact the property and casualty industry and broader market inflation has the potential risk of increasing overall loss costs. The impact of inflation on loss costs could be more pronounced for those lines of business that are considered to be long tail in nature, as they require a relatively long period of time to finalize and settle claims. Changes in the level of inflation also result in an increased level of uncertainty in the Company's estimation of loss reserves, particularly for long tail lines of business. The onset, duration and severity of an inflationary period cannot be estimated with precision. 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 PartnerRe's Industry

PartnerRe - PartnerRe's profitability is affected by the cyclical nature of the reinsurance industry
Historically, the reinsurance industry has experienced significant fluctuations in operating results due to competition, levels of available capacity, trends in cash flows and losses, general economic conditions and other factors, particularly in the Non-life lines of business. Demand for reinsurance is influenced significantly by underwriting results of primary insurers, including catastrophe losses, and prevailing general economic conditions. The supply of reinsurance is related directly to prevailing prices and levels of capacity that, in turn, may fluctuate in response to changes in rates of return on investments being realized in the reinsurance industry. In addition, the cycle of the industry may fluctuate as a result of changes in the economic, legal, political and social landscape. Since cyclicality is due in large part to the collective actions of insurers, reinsurers and general economic conditions and the occurrence of unpredictable events, PartnerRe cannot predict the timing or duration of changes in the market cycle. If any of these factors were to result in a decline in the demand for reinsurance or an overall increase in reinsurance capacity, the Company's profitability could be impacted. In 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 its ability to write business.

Although the Company is currently 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 2018, 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.

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, the Company may experience increased competition as a result of the consolidation in the insurance and reinsurance industry. These consolidated entities may try to use their enhanced market power and relationships to negotiate price reductions for PartnerRe's products and services and/or obtain a larger market share through increased line sizes. Consolidated companies may also purchase less reinsurance product and services, due to increased levels of capital.

Competition in the types of reinsurance that PartnerRe underwrites is based on many factors, including the perceived and relative financial strength, pricing and other terms and conditions, services provided, ratings assigned by independent rating agencies, speed of claims payment, geographic scope of business, client and broker relationships, reputation and experience in the lines of business to be written. If competitive pressures reduce its prices, PartnerRe 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 the 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 PartnerRe's 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 PartnerRe's business

PartnerRe's reinsurance operations are subject to extensive laws and regulations that are administered and enforced by a number of different governmental and non-governmental self-regulatory authorities and associations in each of their respective jurisdictions and internationally. PartnerRe's businesses in each jurisdiction are subject to varying degrees of regulation and supervision. The laws and regulations of the jurisdictions in which the Company's reinsurance subsidiaries are domiciled require, among other things, maintenance of minimum levels of statutory capital, surplus, and liquidity; various solvency standards; and periodic examinations of subsidiaries' financial condition. In some jurisdictions, laws and regulations also restrict payments of dividends and reductions of capital. Applicable statutes, regulations, and policies may also restrict the ability of these subsidiaries to write insurance and reinsurance policies, to make certain investments, and to distribute funds. Some of these authorities regularly consider enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory authority in new and more robust ways, and new regulators could become authorized to oversee parts of PartnerRe's business.

It is not possible to predict all future impacts of these types of changes but they could affect the way PartnerRe conducts its business and manages its capital and may require the Company to satisfy increased capital requirements, any of which, in turn, could affect its results of operations, financial condition and liquidity. For example, PartnerRe's regulated reinsurance subsidiaries 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 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. In 2018, two of PartnerRe's European subsidiaries were found to breach certain Solvency II requirements, resulting in an administrative sanction of EUR1.5 million. 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.
In addition, in order to ensure compliance with applicable regulatory requirements or as a result of any investigation, including remediation efforts, PartnerRe could be required to incur significant expenses and undertake additional work, which in turn may divert resources from its business. These, and other regulations relating to each of PartnerRe's material subsidiaries may in effect restrict each of those subsidiaries' ability to write new business, to make certain investments and to distribute funds or assets to the Company.

Recent government intervention and the possibility of future government intervention have created uncertainty in the insurance and reinsurance markets. Government regulators are generally concerned with the protection of policyholders to the exclusion of other interested parties, including shareholders 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 PartnerRe's 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 PartnerRe provides, which could adversely affect its business.

PartnerRe - Legal and enforcement activities relating to the insurance industry could affect PartnerRe's business and the industry

The insurance industry has experienced substantial volatility as a result of litigation, investigations and regulatory activity by various insurance, governmental and enforcement authorities concerning certain practices within the insurance industry. These 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 have caused an adverse effect on its business, PartnerRe is unable to predict the potential effects, if any, that future investigations may have upon the industry. As noted above, because the Company frequently assumes the credit risk of the counterparties with whom it does business throughout its insurance and reinsurance operations, its results of operations could be adversely affected if the credit quality of these counterparties is severely impacted by investigations in the insurance industry or by changes to industry practices.

PartnerRe - Emerging claim and coverage issues could adversely affect PartnerRe's business

Unanticipated developments in the law, as well as changes in social and environmental conditions could potentially result in unexpected claims for coverage under PartnerRe's insurance, reinsurance and other contracts. These developments and changes may adversely affect the Company's business by either extending coverage beyond its underwriting intent or by increasing the number or size of claims. With respect to PartnerRe's casualty businesses, these legal, social and environmental changes may not become apparent until sometime after their occurrence. The Company's exposure to these uncertainties could be exacerbated by an increase in insurance and reinsurance contract disputes, arbitration and litigation.

The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. 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 PartnerRe provides, which could adversely affect its business.

PartnerRe - The vote by the U.K. to leave the EU could adversely affect PartnerRe's business

As a result of Brexit, negotiations to determine the terms of the U.K.'s withdrawal from the EU and its future relationship with the EU are ongoing. As a result, PartnerRe faces risks associated with the potential uncertainty and consequences that may follow Brexit, including with respect to volatility in financial markets, exchange rates and interest rates. These uncertainties could increase the volatility of, or reduce, the Company's investment results in particular periods or over time. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions and regulatory agencies.

Brexit could also lead to legal uncertainty and differing laws and regulations between the U.K., and the EU, and could impair or adversely affect the ability of the Lloyd's market to transact business in EU countries, particularly in respect of primary or direct insurance business as to which PartnerRe currently relies on the licensure afforded to syndicates at Lloyd's for access to EU markets. In addition, these uncertainties to Brexit could affect the operations, strategic position or results of insurers or reinsurers on whom PartnerRe ultimately relies to access underlying insured coverages. Any of these potential effects of Brexit, and others the Company cannot anticipate, could adversely affect its results of operations or financial condition.

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 its 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, the Company 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 the Company's business and/or its 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 cybers security, 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 the Company changes its data practices, which could have an adverse effect on its business and results of operations. Complying with these various laws will cause PartnerRe to incur 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 the Company 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), PartnerRe Insurance Company of New York and PartnerRe America Insurance Company. PartnerRe may be required to incur significant expense in order to meet its requirements. PartnerRe also operate 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 the Company's 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 the Company has a relatively lower statutory tax rate and net income being higher than anticipated in jurisdictions where it has a relatively higher statutory tax rate, or by changes in corporate tax rates and tax regulations in any of the jurisdictions in which it operates. PartnerRe is subject to regular audit by tax authorities in the various jurisdictions in which it operates. Any adverse outcome of such an audit could have an adverse effect on the Company's net income, effective income tax rate and financial condition.

In addition, the determination of PartnerRe's provisions for income taxes requires significant judgment, and the ultimate tax determination related to certain positions taken is uncertain. Although PartnerRe believes our 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 could result in the imposition of additional U.S. federal income tax on U.S. insurance companies reinsuring business with foreign affiliates. 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 itself and its non-U.S. subsidiaries, other than certain business sourced by Partner Reinsurance Europe SE (PartnerRe Europe) and PartnerRe Ireland dac (PartnerRe Ireland) through the U.S., and a foreign reinsurance entity that has elected under I.R.C Section 953(d) to be treated as a domestic corporation (953(d) electing reinsurer), have operated, and will continue to operate, their respective businesses in a manner that will not cause them to be viewed as engaged in a trade or business in the U.S. and, on this basis, PartnerRe does not expect that either it or its non-U.S. subsidiaries (other than PartnerRe Europe, PartnerRe Ireland, and the 953(d) electing reinsurer) will be required to pay U.S. corporate income taxes (other than potential withholding taxes on certain types of U.S. source passive income) or branch profits taxes. Because there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the U.S., the IRS may contend that either PartnerRe or its non-U.S. subsidiaries are engaged in a trade or business in the U.S.
In addition, legislation regarding the scope of non-U.S. entities and operations subject to U.S. income tax has been proposed in the past and may be proposed again in the future. If either PartnerRe or its non-U.S. subsidiaries are subject to U.S. income tax, PartnerRe's net income and shareholders' equity will be reduced by the amount of such taxes, which 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 increases in those regions and countries experiencing economic growth and investment. Slower economic growth or a change in global mix of regions and countries experiencing economic growth and investment could have an adverse impact on the Group's business, results of operations and financial condition. In a weaker economic environment, some dealers and customers may delay or cancel plans to purchase the Group's products and services and may not be able to fulfill their obligations to it in a timely fashion. The Group's suppliers may also be impacted by economic pressures, which may adversely affect their ability to fulfill their obligations to it. These factors could result in product delays, increased accounts receivable, defaults and inventory challenges. In addition, demand for the Group's products and services can be significantly impacted by concerns regarding the diverse economic and political circumstances in the European Union, the debt burden of several countries in the European Union, the risk that one or more European Union countries could come under increasing pressure to leave the European Union and the long term stability of the Euro as a single common currency. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage actual or perceived sovereign credit risk, have led to further pressure on economic growth and may lead to new periods of economic volatility and recession in the European Union. Similarly, in Brazil and Argentina, macroeconomic conditions remain volatile. If there is significant deterioration in the global economy or the economies of key countries or regions, the demand for the Group's products and services would likely decrease and its results of operations, financial position and cash flows could be materially and adversely affected.

CNH Industrial - The Group is exposed to political, economic and other risks beyond its control as a result of operating a global business

The Group manufactures and sells products and offers services in several continents and numerous countries around the world including those experiencing varying degrees of political and economic instability. Given the global nature of its activities, the Group is exposed to risks associated with international business activities that may increase its costs, impact its ability to manufacture and sell its products and require significant management attention. These risks include:

- changes in laws, regulations and policies that affect, among other things:
- import and export duties and quotas;
- currency restrictions;
- the design, manufacture and sale of the Group's products, including, for example, engine emissions regulations;
- interest rates and the availability of credit to the Group's dealers and customers;
- property, contract rights and intellectual property;
- where, to whom and what types of products may be sold, including new or additional trade or economic sanctions imposed by the U.S., EU or other governmental authorities and supranational organizations (e.g., the United Nations); 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, including rare materials (the latter might be more easily the target of sudden increases due to a variety of factors, including speculative measures or unforeseen political changes);
- changes in governmental debt relief and subsidy program policies in certain significant markets such as Argentina and Brazil, including the Brazilian government discontinuing programs subsidizing interest rates on equipment loans;

- withdrawal from or changes to trade agreements or trade terms, negotiation of new trade agreements and the imposition of new (and retaliatory) tariffs on certain countries or covering certain products or raw materials; and
- war, civil unrest and terrorism.

In recent years, terrorist attacks have occurred around the world, leading to personal safety anxieties and political instability in many countries and, ultimately, an impact on consumers' confidence. More recently, growing populist political movements in several major developed countries, changes in or uncertainty surrounding global trade policies and other unanticipated changes to the previous geopolitical order may have negative effects on the global economy.

There can be no guarantee that the Group will be able to quickly and completely adapt its business model to changes that could result from the foregoing, and any such changes may have an adverse effect on the Group's business, results of operations and financial condition.

CNH Industrial - Reduced demand for equipment would reduce the Group's sales and profitability

The agricultural equipment market is influenced, in particular, by factors such as:

- the price of agricultural commodities and the ability to competitively export agricultural commodities;
- the profitability of agricultural enterprises, farmers' income and their capitalization;
- the demand for food products; and
- agricultural policies, including aid and subsidies to agricultural enterprises provided by governments and/or supranational organizations, policies impacting commodity prices or limiting the export or import of commodities, and alternative fuel mandates.

In addition, unfavorable climatic conditions, especially during the spring, a particularly important period for generating sales orders, could have a negative impact on decisions to buy agricultural equipment and, consequently, on the Group's revenues.

The construction equipment market is influenced, 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 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 availability and price of these raw materials fluctuate, particularly during times of economic volatility or regulatory instability or in response to changes in tariffs and while the Group seeks to manage this exposure, it may not be successful in mitigating these risks. Further, increases in the prices for raw materials can significantly increase costs of production, which could have a material adverse effect on the Group's business, results of operations and financial condition, particularly if it is unable to offset the increased costs through an increase in product pricing.

CNH Industrial - Competitive activity, or failure by the Group to respond to actions by its competitors, could adversely affect its results of operations

The Group operates in highly competitive global and regional markets. Depending on the particular country, 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, quality issues or the Group's failure to price its products competitively could adversely affect its business, results of operations and financial position. Additionally, there has been a trend towards consolidation in the 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. Finally, recent public opinion backlash against emissions regulations might trigger the adoption of policies severely restricting the use of diesel engines.

CNH Industries - Changes in government monetary or fiscal policies may negatively impact the group's results

Most countries where the Group's products and services are sold have established central banks to regulate monetary systems and influence economic activities, generally by adjusting interest rates. Some governments may implement measures designed to slow the economic growth rate in those countries (e.g. higher interest rates, reduced bank lending and other anti-inflation measures). Rising interest rates could have a dampening effect on

the overall economic activity and/or the financial condition of the Group's customers, either or both of which could negatively affect demand for its products and its customers' ability to repay obligations to the Group. Central banks and other policy arms of many countries may take further actions to vary the amount of liquidity and credit available in an economy. The impact from a change in liquidity and credit policies could negatively affect the customers and markets the Group serves or its suppliers, which could adversely impact the Group's business, results of operations and financial condition. Government initiatives that are intended to stimulate demand for products sold by the Group, such as changes in tax treatment or purchase incentives for new equipment, can substantially influence the timing and level of its revenues. The terms, size and duration of such government actions are unpredictable and outside of the Group's control. Any adverse change in government policy relating to those initiatives could have a material adverse effect on the Group's business, results of operations and financial condition.

CNH Industrial – The Group's future performance depends on its ability to innovate and on market acceptance of new or existing products

The success of the Group's businesses depends on their ability to maintain or increase their market share in existing markets and to expand into new markets through the development of innovative, high-quality products that provide adequate profitability. This is dependent on a number of factors, including the Group's ability to maintain key dealer relationships, its ability to produce products that meet the quality, performance and price expectations of customers, and its ability to develop effective sales, dealer training and marketing programs. Failure to develop and offer innovative products that compare favorably to those of the Groups' principal competitors in terms of price, quality, functionality, features, mobility and connected services, vehicle electrification, fuel cell technology and autonomy, or delays in bringing strategic new products to market, or the inability to adequately protect intellectual property rights or to supply products that meet regulatory requirements, including engine emissions requirements, could result in reduced market share, which could have a material adverse effect on the Group's business, results of operations and financial condition.

CNH Industrial – The Group's existing operations and expansion plans in emerging markets could entail significant risks

The Group's ability to grow its businesses depends to an increasing degree on its ability to increase market share and operate profitably worldwide and in particular in emerging market countries, such as Brazil, Russia, India, China, Argentina, Turkey, and South Africa. In addition, the Group could increase its use of suppliers located in such countries. The Group's implementation of these strategies will involve a significant investment of capital and other resources and exposes it to multiple and potentially conflicting cultural practices, business practices and legal requirements that are subject to change, including those related to tariffs, trade barriers, investments, property ownership rights, taxation and sanction 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, volatility and other economic challenges in recent periods and may be subject to a further slowdown in gross domestic product expansion and/or be impacted by domestic political or currency volatility, potential hyperinflationary conditions and/or increase of public debt.

CNH Industrial – The Group is subject to extensive anti-corruption and antitrust laws and regulations

Due to the global scope of the Group's operations, it is subject to many laws and regulations that apply to its operations around the world, including the U.S. Foreign Corrupt Practices Act, and the U.K. Bribery Act, as well as a range of national anti-corruption and antitrust or competition laws that apply to conduct in a particular jurisdiction. These anti-corruption laws prohibit improper payments in cash or anything of value to improperly influence third parties to obtain or retain business or gain a business advantage. These laws tend to apply regardless of whether those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been an increase in the enforcement of anti-corruption and antitrust or competition laws both globally and in particular jurisdictions and the Group has from time to time been subject to investigations and charges claiming violations of anti-corruption or antitrust or competition laws, including its settlement of the EU antitrust investigation announced on 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. Any effect of Brexit is expected to depend on the agreements, if any, 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. The terms of the withdrawal, including terms of trade, are subject to ongoing negotiations that have created significant uncertainty about the future relationship between the U.K. and the EU. Brexit may also lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which EU laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect the Group's business, results of operations and financial condition.

Brexit could adversely affect 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 dealers and is subject to risks relating to their inventory management decisions and operating and sourcing practices. The Group's dealers carry inventories of finished products and parts as part of ongoing operations and adjust those inventories based on their assessment of future sales opportunities and market conditions, including the level of used equipment inventory. If the 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 adversely 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 its business activities. These systems include supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of the Group's products and from customers of its financial services business and connection services among vehicles. The Group uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, the Group collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary information of its customers, suppliers and dealers, as well as personally identifiable information of its dealers, customers and employees, in data centers and on information technology networks. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to the Group's business operations and strategy. Increased information technology security threats and more sophisticated computer crime pose a risk to the security of the Group's systems and networks and the confidentiality, availability and integrity of its data. Cybersecurity attacks could also include attacks targeting customer data or the security, integrity and/or reliability of the hardware and software installed in the Group's products.

While the Group actively manages information technology security risks within its control through security measures, business continuity plans and employee training around phishing and other cyber risks, there can be no assurance that such actions will be sufficient to mitigate all potential risks to its systems, networks and data. Furthermore, third parties on which the Group relies, including internet, mobile communications technology and cloud service providers, could be sources of information risk to the Group.

A failure or breach in security, whether of the Group's systems and networks or those of third parties on which the Group rely, could expose the Group and its customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data, defective products, production downtimes and operations disruptions, which in turn could adversely affect the Group's reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorized release of confidential or otherwise protected information and corruption of data, as well as remediation costs and higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve the Group may need to invest additional resources to protect the security of its systems. 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 Group is also subject to various laws regarding privacy and the protection of personal information. The regulatory framework for privacy and data security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. On May 25, 2018, the European Union's General Data Protection Regulation ("GDPR") became effective. The GDPR imposes more stringent data protection requirements and provides for greater penalties for noncompliance. CNH Industrial 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 the Group's business prospects, results of operations and/or financial position.

CNH Industrial – The Group faces risks associated with its employment relationships

In many countries where the Group operates, its employees are protected by laws and/or collective labor agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including downsizing or closure of production facilities, activities and reductions in personnel. Laws and/or collective labor agreements applicable to the Group could impair its flexibility in reshaping and/or strategically repositioning its business activities. Therefore, its ability to reduce personnel or implement other permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labor unions where such laws and agreements are applicable. Furthermore, the Group is at greater risk of work interruptions or stoppages than non-unionized companies and any work interruption or stoppage could significantly impact the volume of products it manufactures and sells, which could have a material adverse effect on its business, results of operations and financial condition.

CNH Industrial - The ability to execute its strategy is dependent upon the Group's ability to attract, motivate and retain qualified personnel

The Group's ability to compete effectively, to manage its business effectively and to expand its business depends, in part, on its ability to attract, motivate and retain qualified personnel in key functions. In particular, the Group is dependent on its ability to attract, motivate and retain qualified personnel with the requisite education, background, talents and industry experience. Failure to attract and retain qualified personnel, whether as a result of an insufficient number of qualified applicants, difficulty in recruiting new personnel, or the inability to integrate and retain qualified personnel, could impair the Group's ability to execute its business strategy and could adversely affect its business.

CNH Industrial – The Group's business may be affected by unfavorable weather conditions, climate change or other calamities

Poor, severe or unusual weather conditions caused by climate change or other factors, particularly during the planting and early growing season, can significantly affect the purchasing decisions of the Group's agricultural equipment customers. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting crops or may cause growing crops to die, resulting in lower yields. Excessive rain or flooding can also prevent planting or harvesting from occurring at optimal times and may cause crop loss through increased disease or mold growth. Temperature affects the rate of growth, crop maturity, crop quality and yield. Temperatures outside normal ranges can cause crop failure or decreased yields and may also affect disease incidence. Natural disasters such as floods, hurricanes, storms 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 to certain customers or in certain countries. The implementation of more protectionist trade policies, such as more detailed inspections, higher tariffs, or new barriers to entry, in countries where the Group sells products and provides services could negatively impact its business, results of operations and financial position. For example, a government's adoption of trade sanctions or "buy national" policies or retaliation by another government against such policies could have a negative impact on the Group's results of operations.

Financial risks

CNH Industrial – difficulty in obtaining financing or refinancing existing debt could impact the Group's financial performance

The Group's 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 – New regulations or changes in financial services regulations could adversely impact the Group

Financial Services' operations are highly regulated by governmental authorities in the locations where it operates, which can impose significant additional costs and/or restrictions on its business. In the U.S., for example, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), including its implementing regulations, may substantially affect Financial Services' origination, servicing, and securitization programs. The Dodd-Frank Act also strengthens the regulatory oversight of these securities and related capital market activities by the SEC and increases the regulation of the ABS markets through, among other things, a mandated risk retention requirement for securitizers and a direction to regulate credit rating agencies. Other future regulations may affect Financial Services' ability to engage in funding these capital market activities or increase the effective cost of such transactions, which could adversely affect the Group's financial position, results of operations and cash flows.

CNH Industrial – The Group may be exposed to shortfalls in its pension plans

At December 31, 2018, the funded status for the Group's defined benefit pension and other post-employment benefits was an underfunded status of $1,369 million that is included in the consolidated statement of financial position. The funded status is the balance between the present value of the defined benefit obligation and the fair value of related assets, in case of funded plans (plans managed by a separate fund, "trust"). Consequently, the funded status is subject to many factors.
To the extent that the Group's obligations under a plan are unfunded or underfunded, it will have to use cash flows from operations and other sources to pay its obligations as they become due. In addition, since the assets that currently fund these obligations are primarily invested in debt instruments and equity securities, the value of these assets is subject to changes due to market fluctuations.

CNH Industrial – The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding and may limit its financial and operating flexibility

As of December 31, 2018, the Group had an aggregate of $24,543 million (including $19,358 million relating to Financial Services' activities) of consolidated gross indebtedness, and its equity was $7,472 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 – The maintenance of two exchange listings may adversely affect liquidity in the market for CNH Industrial common shares and could result in pricing differentials of its common shares between the two exchanges

The dual listing of CNH Industrial's common shares on the NYSE and the MTA may split trading between the two markets and adversely affect the liquidity of the shares in one or both markets and the development of an active trading market for its common shares on the NYSE and may result in price differentials between the exchanges. Differences in the trading schedules, trading volume and investor bases, as well as volatility in the exchange rate between the two trading currencies, among other factors, may result in different trading prices for the common shares on the two exchanges or otherwise adversely affect liquidity and trading prices of the shares.

CNH Industrial – The loyalty voting 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, 2018, EXOR N.V. had a voting interest in CNH Industrial of approximately 42.1%. 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 the business, strategy and operations

Ferrari - Ferrari may not succeed in preserving and enhancing the value of the Ferrari brand, which it depends upon to drive demand and revenues

Ferrari's financial performance is influenced by the perception and recognition of the Ferrari brand, which, in turn, depends on many factors such as the design, performance, quality and image of its cars, the appeal of its dealerships and stores, the success of its promotional activities including public relations and marketing, as well as its general profile, including its brand's image of exclusivity. The value of Ferrari's brand and its ability to achieve premium pricing for Ferrari-branded products may decline if it is unable to maintain the value and image of the Ferrari brand, including, in particular, its aura of exclusivity. Maintaining the value of the brand will depend significantly on Ferrari's ability to continue to produce luxury performance cars of the highest quality. The market for luxury goods generally and for luxury automobiles in particular is intensely competitive, and Ferrari may not be successful in maintaining and strengthening the appeal of its brand. Client preferences, particularly among luxury goods, can vary over time, sometimes rapidly. Ferrari is therefore exposed to changing perceptions of its brand image, particularly as it seeks to attract new generations of clients and, to that end, renovates and expands its models range. For example, the gradual expansion of hybrid engine technology will introduce a notable change in the overall driver experience compared to the combustion engine cars of Ferrari range models to date. Any failure to preserve and enhance the value of the brand may materially and adversely affect Ferrari's ability to sell its cars, to maintain premium pricing, and to extend the value of the brand into other activities profitably or at all.

Ferrari selectively licenses the Ferrari brand to third parties that produce and sell Ferrari-branded luxury goods and therefore it relies on its licensing partners to preserve and enhance the value of its brand. If Ferrari's licensees or the manufacturers of these products do not maintain the standards of quality and exclusivity that Ferrari believes are consistent with its brand, or if such licensees or manufacturers otherwise misuse the brand, Ferrari's reputation and the integrity and value of its brand may be damaged and its business, operating results and financial condition may be materially and adversely affected.

Ferrari – Ferrari's brand image depends in part on the success of its Formula 1 racing team

The prestige, identity, and appeal of the Ferrari brand depend in part on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship. The racing team is a key component of Ferrari's marketing strategy and may be perceived by its clients as a demonstration of the technological capabilities of its Sports, GT special series and Icona cars which also supports the appeal of other Ferrari-branded luxury goods. Ferrari has focused on restoring the success of its Formula 1 racing team as its most recent driver's championship and constructors' championship were in 2007 and 2008, respectively. Ferrari is focused on improving its racing results and restoring its historical position as the premier racing team. If it is unable to attract and retain the necessary talent to succeed in international competitions or devote the capital necessary to fund successful racing activities, the value of the Ferrari brand and the appeal of its cars and other luxury goods may suffer. Even if Ferrari is able to attract such talent and adequately fund its racing activities, there is no assurance that this will lead to competitive success for its racing team.

The success of its racing team depends in particular on Ferrari's ability to attract and retain top drivers and racing management and engineering talent. Its primary Formula 1 drivers, team managers and other key employees of Scuderia Ferrari are critical to the success of its racing team and if it was to lose their services, this could have a material adverse effect on the success of the racing team and correspondingly the Ferrari brand. If Ferrari is unable to find adequate replacements or to attract, retain and incentivize drivers and team managers, other key employees or new qualified personnel, the success of its racing team may suffer. As the success of the Ferrari racing team forms a large part of its brand identity, a sustained period without racing success could detract from the Ferrari brand and, as a result, potential clients' enthusiasm for the Ferrari brand and their perception of its cars, which could have an adverse effect on Ferrari's business, results of operations and financial condition.

Ferrari – If Ferrari is unable to keep up with advances in high performance car technology, its brand and competitive position may suffer

Performance cars are characterized by leading-edge technology which is constantly evolving. In particular, advances in racing technology often lead to improved technology in road cars. Although Ferrari invests heavily in research and development, it may be unable to maintain its leading position in high performance car technology and, as a result, its competitive position may suffer.

As technologies change, Ferrari plans to upgrade or adapt its cars and introduce new models in order to continue to provide cars with the latest technology. However, its cars may not compete effectively with its competitors' cars if it is not able to develop, source and integrate the latest technology into its cars.
For example, in the next few years luxury performance cars will increasingly transition to hybrid and electric technology, albeit at a slower pace compared to mass market vehicles. See "*The introduction of hybrid 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. The increase in the number of cars Ferrari produces relative to the number of automotive collectors and purchasers in the secondary market may adversely affect its cars' value as collectible items and in the secondary market more broadly.

If there is a change in collector appetite or damage to its brand, Ferrari's ties to and the support it receives from this community may be diminished. Such a loss of enthusiasm for its cars from the automotive collectors' community could harm the perception of the Ferrari brand and adversely impact Ferrari's sales and profitability.

Ferrari – Ferrari's business is subject to changes in client preferences and trends in the automotive and luxury 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 hybrid and electric technology and the associated changes in customer preferences that may follow are also a challenge Ferrari will face in future periods. See also *"If Ferrari is unable to keep up with advances in high performance car technology, its competitive position may suffer"* and "*The introduction of hybrid cars is costly and its long term success is uncertain*". If it misjudges the market for its products or is delayed in recognizing trends and customer preferences, 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 introduces the Purosangue, a luxury high performance vehicle within the GT range that it is developing and will launch in in the coming years.

Furthermore this risk is particularly pronounced as Ferrari expands in accordance with its strategy into adjacent segments of the luxury industry, where it does not have a level of experience and market presence comparable to the one it has in the automotive industry. Any of these risks could have a material adverse effect on its business, results of operations and financial condition.

Ferrari - Demand for luxury goods, including luxury performance cars, is volatile, which may adversely affect Ferrari's operating results

Volatility of demand for luxury goods, in particular luxury performance cars, may adversely affect Ferrari's business, operating results and financial condition. The 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 - 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 – Ferrari's growth strategy exposes it to risks

Ferrari's growth strategy includes a controlled expansion of its sales and operations, including the launching of new car models and expanding sales, as well as dealer operations and workshops, in targeted growth regions internationally. In particular, its growth strategy requires it to expand operations in regions that it has identified as having relatively high growth potential. Ferrari may encounter difficulties, including more significant competition in entering and establishing itself in these markets.

Ferrari's growth depends on the continued success of its existing cars, as well as the successful 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 or delays in their launch that could result in others bringing new products and technologies to the market first, could compromise its competitive position and hinder the growth of Ferrari's business. As part of its growth strategy, Ferrari plans to broaden the range of its models to capture additional customer demand for different types of vehicles and modes of utilization. For example, it is currently planning to introduce 15 new models in the 2019-2022 period (which is unprecedented for Ferrari over a similar time period). Ferrari has also recently introduced the Icona limited editions, a new concept that takes inspiration from its iconic cars of the past and interprets them in a modern way with innovative materials and innovative technology. In the GT range, Ferrari is developing a luxury high performance vehicle, the Purosangue, and is planning a new line of cars powered by V6 engines. In addition, it will gradually but rapidly 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 low volume strategy may limit potential profits, and if volumes increase Ferrari's brand exclusivity may be eroded

A key to the appeal of the Ferrari brand and its marketing strategy is the aura of exclusivity and the sense of luxury which the brand conveys. A central facet to this exclusivity is the limited number of models and cars Ferrari produces and its strategy of maintaining its car waiting lists to reach the optimal combination of exclusivity and client service. Ferrari's low volume strategy is also an important factor in the prices that its clients are willing to pay for its cars. This focus on maintaining exclusivity limits Ferrari's potential sales growth and profitability.

On the other hand, Ferrari's current growth strategy contemplates a measured but significant increase in car sales above current levels as it targets a larger customer base and modes of use and increases its focus on GT cars and its product portfolio evolves with a broader product range.

In pursuit of its strategy, Ferrari may be unable to maintain the exclusivity of the brand. If it is unable to balance brand exclusivity with increased production, it may erode the desirability and ultimately the consumer demand for its cars. As a result, if Ferrari is unable to increase car production meaningfully or introduce new car models without eroding the image of exclusivity in its brand it may be unable to significantly increase its revenues.

Ferrari - The small number of car models Ferrari produces and sells may result in greater volatility in its financial results

Ferrari depends on the sales of a small number of car models to generate its revenues. Ferrari's current product range consists of six range models (including three sports cars and three GT cars) and two special series cars.. While it anticipates significantly expanding its car offerings as part of its growth strategy through the introduction of 15 new products in the 2019-2022 period, a limited number of models will continue to account for a large portion of its revenues at any given time in the foreseeable future, compared to other automakers. Therefore, 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 or that it will be able to launch new models on a timely basis compared to its competitors. It generally takes several years from the beginning of the development phase to the start of production for a new model and the car development process is capital intensive. As a result, Ferrari would likely be unable to replace quickly the revenue lost from one of its main car models if it does not achieve market acceptance. Furthermore, its revenues and profits may also be affected by its "special series" and limited edition cars (including the new Icona limited edition cars) that it launches from time to time and which are typically priced higher than its range models. There can be no assurance that Ferrari will be successful in developing, producing and marketing additional new cars that will sustain sales growth in the future.

Ferrari - Global economic conditions 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. Although China only represents approximately 8% of Ferrari's net revenues and a limited proportion of its growth in the short term, slowing economic conditions in China may adversely affect the company's net revenues in that region. A significant decline in the EU, the global economy or in the specific economies of Ferrari's markets, or in consumers' confidence, could have a material adverse effect on its business. See also *"Developments in China and other growth and emerging markets may adversely affect Ferrari's business"*.

Ferrari - Developments in China and other growth and emerging markets may adversely affect Ferrari's business

Ferrari operates in a number of growth and emerging markets, both directly and through its dealers and it has experienced increasing demand in China and other regions in Asia.

Ferrari believes it has potential for further success in new geographies, in particular in China, but also more generally in Asia, recognizing the increasing personal wealth in these markets. While demand in these markets has increased in recent years due to sustained economic growth and growth in personal income and wealth, Ferrari is unable to foresee the extent to which economic growth in these emerging markets will be sustained. For example, rising geopolitical tensions and potential slowdowns in the rate of growth there and in other emerging markets could limit the opportunity for it to increase unit sales and revenues in those regions in the near term.

Ferrari's exposure to growth and emerging countries is likely to increase, as it pursues expanded sales in such countries. Economic and political developments in emerging markets, including economic crises or political instability, have had and could have in the future material adverse effects on Ferrari's results of operations and financial condition. Further, in certain markets in which Ferrari or its dealers operate, required government approvals may limit its ability to act quickly in making decisions on its operations in those markets. Other government actions may also impact the market for luxury goods in these markets, such as tax changes or the active discouragement of luxury purchases.

Maintaining and strengthening its position in these growth and emerging markets is a key component of Ferrari's global growth strategy. However, initiatives from several global luxury automotive manufacturers have increased competitive pressures for luxury cars in several emerging markets.

As these markets continue to grow, Ferrari anticipates that additional competitors, both international and domestic, will seek to enter these markets and that existing market participants will try to aggressively protect or increase their market share. Increased competition may result in pricing pressures, reduced margins and Ferrari's inability to gain or hold market share, which could have a material adverse effect on its results of operations and financial condition. See also "*Global economic conditions may adversely affect Ferrari*".

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**"). On March 29, 2017the United Kingdom formally notified the European Union of its intention to withdraw pursuant to article 50 of the Lisbon Treaty. Negotiations 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 remain ongoing. 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. It is possible that there will be greater restrictions on imports and exports between the UK and European Union countries and increased regulatory complexities which may prove challenging and costly. Approximately 9% percent of Ferrari's cars and spare parts net revenues in 2018 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's success depends largely on the ability of its current management team to operate and manage effectively

Ferrari's success depends on the ability of its senior executives and other members of management to effectively manage its business as a whole and individual areas of the business. Ferrari's employees, particularly in its production facilities in and around Maranello, Italy include many highly skilled engineers, technicians and artisans. If it were to lose the services of any of these senior executives or key employees, this could have a material adverse effect on its business, operating results and financial condition. Ferrari has developed management succession plans that it believes are appropriate in the circumstances, although it is difficult to predict with any certainty that it will replace these individuals with persons of equivalent experience and capabilities. If Ferrari is unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, its business, results of operations and financial condition may suffer.

Ferrari - Ferrari relies on its dealer network to provide sales and services

Ferrari does not own its dealers and virtually all of its sales are made through its network of dealerships located throughout the world. If its dealers are unable to provide sales or service quality that its clients expect or do not otherwise adequately project the Ferrari image and its aura of luxury and exclusivity, the Ferrari brand may be negatively affected. Ferrari depends on the quality of its dealership network and its business, operating results and financial condition could be adversely affected if the dealers suffer financial difficulties or otherwise are unable to perform to Ferrari's expectations. Furthermore, Ferrari may experience disagreements or disputes in the course of its relationship with its dealers or upon termination which may lead to financial costs, disruptions and reputational harm.

Ferrari's growth strategy also depends on its ability to attract a sufficient number of quality new dealers to sell its products in new areas. Ferrari may face competition from other luxury performance car manufacturers in attracting quality new dealers, based on, among other things, dealer margin, incentives and the performance of other dealers in the region. If Ferrari is unable to attract a sufficient number of new Ferrari dealers in targeted growth areas, its prospects could be materially adversely affected.

Ferrari – Ferrari depends on its suppliers, many of which are single source suppliers; and if these suppliers fail to deliver necessary raw materials, systems, components and parts of appropriate quality in a timely manner, Ferrari's operations may be disrupted

Ferrari's business depends on a significant number of suppliers, which provide the raw materials, components, parts and systems it requires to manufacture cars and parts and to operate its business. It uses a variety of raw materials in its business including aluminum, and precious metals such as palladium and rhodium. It sources materials from a limited number of suppliers.

Ferrari cannot guarantee that it will be able to maintain access to these raw materials, and in some cases this access may be affected by factors outside of its control and the control of its suppliers. In addition, prices for these raw materials fluctuate and while Ferrari seeks to manage this exposure, it may not be successful in mitigating these risks.

As with raw materials, Ferrari is also at risk of supply disruption and shortages in parts and components it purchases for use in its cars. Ferrari sources a variety of key components from third parties, including transmissions, brakes, driving-safety systems, navigation systems, mechanical, electrical and electronic parts, plastic components as well as castings and tires, which make it dependent upon the suppliers of such components. In the future, it will also require a greater number of 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.

more, 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 - 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 - Revenues from Formula 1 activities may decline and related expenses may grow

Revenues from Ferrari's Formula 1 activities depend principally on the income from its sponsorship agreements and on its share of Formula 1 revenues from broadcasting and other sources.

If Ferrari is unable to renew its existing sponsorship agreements or if it enters into new or renewed sponsorship agreements with less favorable terms, its revenues would decline. In addition, its share of profits related to Formula 1 activities may decline if either its team's performance worsens compared to other competing teams, or if the overall Formula 1 business suffers, including potentially as a result of increasing popularity of the FIA Formula E championship. Furthermore, in order to compete effectively on track Ferrari has been investing significant resources in research and development and to competitively compensate the best available drivers and other racing team members. These expenses also vary based on changes in Formula 1 regulations that require modification to Ferrari's racing engines and cars. These expenses are expected to continue, and may grow further, including as a result of any changes in Formula 1 regulations, which would negatively affect Ferrari's results of operations

In addition, extensive talks were held in 2018 and are continuing among the owners of the Formula 1 business and all teams with regards to the arrangements relating to the participation of Ferrari and the other teams competing in the championship in the period following the 2020 expiration of the current arrangements between racing teams and the operator of Formula 1. Ferrari cannot be certain that the company or other racing teams will be successful in negotiating acceptable terms and conditions for continued participation. If Ferrari were to withdraw from Formula 1 this would affect its marketing and brand strategies and it is currently unable to predict the consequences on its business, financial condition and results of operations.

Ferrari - Engine production revenues are dependent on Maserati's ability to sell its cars

Ferrari produces V8 and V6 engines for Maserati. It has a multi-year arrangement with Maserati to provide V6 engines through 2020, which may be followed by further production runs in future periods. While Maserati is required to compensate Ferrari for certain costs it may incur and penalties from suppliers, in the event that the sales of Maserati cars decline, or do not increase at the expected rate, such an event would adversely affect Ferrari's revenues from the sale of engines.

Ferrari – Ferrari faces risks associated with its international operations, including unfavorable regulatory, political, tax and labor conditions and establishing itself in new markets, all of which could harm its business

Ferrari currently has international operations and subsidiaries in various countries and jurisdictions in Europe, North America and Asia that are subject to the legal, political, regulatory, tax and social requirements and economic conditions in these jurisdictions. Additionally, as part of its growth strategy, it will continue to expand its sales, maintenance, and repair services internationally. However, such expansion requires it to make significant expenditures, including the establishment of local operating entities, hiring of local employees and establishing facilities in advance of generating any revenue. Ferrari is subject to a number of risks associated with international business activities that may increase its costs, impact its ability to sell its cars and require significant management attention. These risks include:

- conforming its cars to various international regulatory and safety requirements where its cars are sold, or homologation;
- difficulty in establishing, staffing and managing foreign operations;
- difficulties attracting clients in new jurisdictions;
- foreign government taxes, regulations and permit requirements, including foreign taxes that it may not be able to offset against taxes imposed upon it in Italy;
- fluctuations in foreign currency exchange rates and interest rates, including risks related to any interest rate swap or other hedging activities it undertakes;
- its ability to enforce its contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as do the United States, Japan and European countries, which increases the risk of unauthorized, and uncompensated, use of its technology;
- European Union and foreign government trade restrictions, customs regulations, tariffs and price or exchange controls;
- foreign labor laws, regulations and restrictions;
- preferences of foreign nations for domestically produced cars;
- changes in diplomatic and trade relationships;
- political instability, natural disasters, war or events of terrorism; and
- the strength of international economies.

If Ferrari fails to successfully address these risks, many of which it cannot control, its business, operating results and financial condition could be materially harmed.

Ferrari - New laws, regulations, or policies of governmental organizations regarding increased fuel economy requirements, reduced greenhouse gas or pollutant emissions, or vehicle safety, or changes in existing laws, may have a significant effect on Ferrari's costs of operation and/or how it does business.
Ferrari is subject throughout the world to comprehensive and constantly evolving laws, regulations and policies. Ferrari expects the extent of the legal and regulatory requirements affecting its business and its costs of compliance to continue to increase significantly in the future. In Europe and the United States, for example, significant governmental regulation is driven by environmental, fuel economy, vehicle safety and noise emission concerns. Evolving regulatory requirements could significantly affect product development plans and may limit the number and types of cars Ferrari sells and where it sells them, which may affect its revenue. Governmental regulations may increase the costs Ferrari incurs to design, develop and produce its cars and may affect its product portfolio. Regulation may also result in a change in the character or performance characteristics of its cars which may render them less appealing to clients. Ferrari anticipates that the number and extent of these regulations, and their effect on its cost structure and product line-up, will increase significantly in the future.

Current European legislation limits fleet average greenhouse gas emissions for new passenger cars. Due to its small volume manufacturer ("SVM") status Ferrari benefits from a derogation from the existing emissions requirement and is instead required to meet, by 2021, alternative targets for its fleet of EU-registered vehicles.

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 an SVM, Ferrari expects to benefit from a derogation from currently applicable standards. Ferrari has also petitioned the EPA for alternative standards for the model years 2017-2021 and 2022-2025, which are aligned to its technical and economic capabilities. In September 2016 Ferrari petitioned NHTSA for recognition as an independent manufacturer of less than 10,000 vehicles produced globally and proposed alternative CAFE standards for model years 2017, 2018 and 2019. Then, in December 2017, Ferrari amended the petition by proposing alternative CAFE standards for model years 2016, 2017 and 2018 instead, covering also the 2016 model year. NHTSA have not yet responded to Ferrari's petition. The Company will need in the future to file with NHTSA a petition for 2019-2020 and 2021 model years. If its petitions are rejected, or if it produces annually more than 10,000 vehicles globally, Ferrari 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 the United States, considerable uncertainty is associated with emissions regulations under the current administration. New regulations are in the process of being developed, and many existing and potential regulatory initiatives are subject to review by federal or state agencies or the courts. In August 2018 the NHTSA and the EPA issued a common proposal, the "Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for model years 2021-2026 Passenger Cars and Light Trucks" (SAFE Vehicles Rule). The SAFE Vehicles Rule, if finalized, would amend certain existing Corporate Average Fuel Economy (CAFE) and tailpipe carbon dioxide emissions standards for passenger cars and light trucks and establish new standards, all covering model years 2021 through 2026. The authorities' stated preferred alternative is to retain the model year 2020 standards (specifically, the footprint target curves for passenger cars and light trucks) for both programs through model year 2026, but comment has been sought on a range of alternatives.

In the state of California (which has been granted special authority under the Clean Air Act to set its own vehicle emission standards), the California Air Resources Board ("CARB") has enacted regulations under which manufacturers of vehicles for model years 2012 through 2025 which are in compliance with the EPA greenhouse gas emissions regulations are also deemed to be in compliance with California's greenhouse gas emission regulations (the so-called "deemed to comply" option). The SAFE Vehicles Rule mentioned above proposes to withdraw the waiver granted to California under the Clean Air Act to establish more stringent standards for vehicle emissions that are applicable to model years 2021 through 2025. In response to the proposed California waiver withdrawal, on December 12, 2018 the CARB amended its existing regulations to clarify that the "deemed to comply" provision shall not be available for model years 2021-2025 if the EPA standards for those years are altered via an amendment of federal regulations. Ferrari currently avails itself of the "deemed-to-comply" provision to comply with CARB greenhouse gas emissions regulations. Therefore, it may be necessary to also petition the CARB for SVM alternative standards and to increase the number of tests to be performed in order to follow the CARB specific procedures.

In addition, Ferrari is subject to legislation relating to the emission of other air pollutants such as, among others, the EU "Euro 6" standards and Real Driving Emissions (RDE) standards, the "Tier 3" Motor Vehicle Emission and Fuel Standards issued by the EPA, and the Zero Emission Vehicle regulation in California, which are subject to similar derogations for SVMs, as well as vehicle safety legislation. In 2016, NHTSA published guidelines for driver distraction, for which rulemaking activities have not progressed since early 2017. The costs of compliance associated with these and similar rulemaking may be substantial.

Other governments around the world, such as those in Canada, South Korea, China and certain Middle Eastern countries are also creating new policies to address these issues which could be even more stringent than the U.S. or European requirements. As in the United States and Europe, these government policies if applied to Ferrari could significantly affect its product development plans. In China, for example, Stage IV fuel consumption regulation targets a national average fuel consumption of 5.0L/100km by 2020.

In response to severe air quality issues in Beijing and other major Chinese cities, in 2016 the Chinese government published a more stringent emissions program (National 6), providing two different levels of stringency effective starting from 2020. Moreover several autonomous Chinese regions and municipalities are implementing the requirements of the National 6 program even ahead of the mandated deadlines. To comply with current and future environmental rules related to both fuel economy and pollutant emissions, Ferrari may have to incur substantial capital expenditure and research and development expenditure to upgrade products and manufacturing facilities, which would have an impact on its cost of production and results of operation.

Ferrari could lose its status as an SVM in the EU, the United States and other countries if it does not continue to meet all of the necessary eligibility criteria under applicable regulations as they evolve. In order to meet these criteria, the Company may need to modify its growth plans or other operations. Furthermore, even if it continues to benefit from derogations as an SVM, Ferrari will be subject to alternative standards that the regulators deem appropriate for its technical and economic capabilities and such alternative standards may be significantly more stringent than those currently applicable to 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. Ferrari may have to incur substantial capital expenditures and research and development expenditures to upgrade products and manufacturing facilities, which would have an impact on its cost of production and results of operation.

In the future, the advent of self-driving technology may result in regulatory changes that Ferrari cannot predict but may include limitations or bans on human driving in specific areas. Similarly, driving bans on combustion engine vehicles could be imposed, particularly in metropolitan areas, as a result of progress in electric and hybrid technology. Any such future developments may adversely affect the demand for Ferrari cars and its business.

In September 2017 the Chinese government issued the Administrative Measures on CAFC (Corporate Average Fuel Consumption) and NEV (New Energy Vehicle) Credits. This regulation establishes mandatory CAFC requirements, while providing additional flexibilities for SVMs (defined as manufacturers with less than 2,000 units imported in China per year) that achieve a certain minimum CAFC yearly improvement rate. 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 - The introduction of hybrid cars is costly and its long-term success is uncertain

Ferrari is gradually but rapidly introducing hybrid technology in its cars. 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 helping Ferrari to meet increasingly strict emissions requirements.

While some of Ferrari's past models, such as LaFerrari and LaFerrari Aperta, have included hybrid technology, the integration of such technology more broadly into its car portfolio over time may present challenges and costs. Ferrari expects to increase R&D spending in the medium term particularly on hybrid technology-related projects. Although it expects to price its future hybrid cars appropriately to recoup the investments and expenditures it is making, Ferrari cannot be certain that these expenditures will be fully recovered.

In addition, this transformation of its car technology creates risks and uncertainties such as the impact on driver experience, and the impact on the cars' residual value over time, both of which may be met with an unfavorable market reaction. Other manufacturers of luxury sports cars may be more successful in implementing hybrid 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, and it expects that a significant portion of its shipments will consist of hybrid vehicles in the medium term, if the introduction of hybrid cars proves too costly or is unsuccessful in the market, Ferrari's business and results of operations could be materially adversely affected.

Ferrari - If its cars do not perform as expected Ferrari's ability to develop, market and sell its cars could be harmed

Ferrari's cars may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. There can be no assurance that Ferrari will be able to detect and fix any defects in the cars prior to their sale to consumers. Its cars may not perform in line with its clients' evolving expectations or in a manner that equals or exceeds the performance characteristics of other cars currently available. For example, Ferrari's newer cars may not have the durability or longevity of current cars and may not be as easy to repair as other cars currently on the market. Any product defects or any other failure of its performance cars to perform as expected could harm its reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to its brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on its business, operating results and financial condition.

Ferrari - Car recalls may be costly and may harm Ferrari's reputation

Ferrari has in the past and may from time to time in the future be required to recall its products to address performance, compliance or safety-related issues. It may incur costs for these recalls, including replacement parts and labor to remove and replace the defective parts. For example, in the course of 2015 and 2016, it issued a series of recalls relating to defective air bags manufactured by Takata and installed on certain of its models. Also in light of uncertainties in Ferrari's ability to recover the recall costs from Takata, which filed for bankruptcy in June 2017, it has recorded a provision this matter in the second quarter of 2016 for an amount of €37 million. This provision amounted to €25 million as of December 31, 2018. In addition, regulatory oversight of recalls, particularly in vehicle safety, has increased recently. Any product recalls can harm Ferrari's reputation with clients, particularly if consumers call into question the safety, reliability or performance of its cars. Any such recalls could harm its reputation and result in adverse publicity, lost revenue, delivery delays, product liability claims and other expenses, and could have a material adverse impact on Ferrari's business, operating results and financial condition.

Ferrari - Ferrari may become subject to product liability claims, which could harm its financial condition and liquidity if it is not able to successfully defend or insure against such claims

Ferrari may become subject to product liability claims, which could harm its business, operating results and financial condition. The automobile industry experiences significant product liability claims and Ferrari has inherent risk of exposure to claims in the event its cars do not perform as expected or malfunction resulting in personal injury or death. A successful product liability claim against Ferrari could require it to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about 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. Ferrari may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if it faces liability for its products and is forced to make a claim under such a policy.

Ferrari - Ferrari is exposed to risks in connection with product warranties as well as the provision of services

A number of Ferrari's contractual and legal requirements oblige it to provide extensive warranties to its clients, dealers and national distributors. There is a risk that, relative to the guarantees and warranties granted, the calculated product prices and the provisions for its guarantee and warranty risks have been set or will in the future be set too low.

There is also a risk that Ferrari will be required to extend the guarantee or warranty originally granted in certain markets for legal reasons or provide services as a courtesy or for reasons of reputation where it is not legally obliged to do so, and for which it will generally not be able to recover from suppliers or insurers.

Ferrari – insurance coverage may not be adequate to protect Ferrari against all potential losses to which it may be subject, which could have a material adverse effect on its business

Ferrari maintains insurance coverage that it believes is adequate to cover normal risks associated with the operation of its business. However, there can be no assurance that any claim under its insurance policies will be honored fully or timely, its insurance coverage will be sufficient in any respect or its insurance premiums will not increase substantially. Accordingly, to the extent that it suffers loss or damage that is not covered by insurance or which exceeds its insurance coverage, or has to pay higher insurance premiums, its financial condition may be affected.

Ferrari - improper conduct of employees, agents, or other representatives could adversely affect Ferrari's reputation and its business, operating results, and financial condition

Ferrari's compliance controls, policies and procedures may not in every instance protect it from acts committed by its employees, agents, contractors, or collaborators that would violate the laws or regulations of the jurisdictions in which it operates, including employment, foreign corrupt practices, environmental, competition, and other laws and regulations. Such improper actions could subject it to civil or criminal investigations, and monetary and injunctive penalties. In particular, its business activities may be subject to anti-corruption laws, regulations or rules of other countries in which it operates. Ferrari's failure to comply with any of these regulations could adversely impact its operating results and its financial condition. In addition, actual or alleged violations could damage its reputation and its ability to conduct business. Furthermore, detecting, investigating, and resolving any actual or alleged violation is expensive and can consume significant time and attention of Ferrari's executive management.

Ferrari - A disruption in information technology could compromise confidential and sensitive information

Ferrari depends on its information technology and data processing systems to operate its business, and a significant malfunction or disruption in the operation of its systems, or a security breach that compromises the confidential and sensitive information stored in those systems, could disrupt its business and adversely impact its ability to compete. Ferrari's ability to keep its business operating effectively depends on the functional and efficient operation by Ferrari and by its third-party service providers of its information, data processing and telecommunications systems, including its car design, manufacturing, inventory tracking and billing and payment systems. Ferrari relies on these systems to enable a number of business processes and help it make a variety of day-to-day business decisions as well as to track transactions, billings, payments and inventory. Such systems are susceptible to malfunctions and interruptions due to equipment damage, power outages, and a range of other hardware, software and network problems. Those systems are also susceptible to cybercrime, or threats of intentional disruption, which are increasing in terms of sophistication and frequency, with the consequence that such cyber incidents may remain undetected for long periods of time. For any of these reasons, Ferrari may experience system malfunctions or interruptions. Although its systems are diversified, including multiple server locations and a range of software applications for different regions and functions, and Ferrari periodically assesses and implements actions to ameliorate risks to its systems, a significant or large scale malfunction or interruption of its systems could adversely affect its ability to manage and keep its operations running efficiently, and damage its reputation if it is unable to track transactions and deliver products its dealers and clients. A malfunction that results in a wider or sustained disruption to Ferrari's business could have a material adverse effect on its business, results of operations and financial condition. In addition to supporting its operations, Ferrari uses its systems to collect and store confidential and sensitive data, including information about its business, its clients and its employees. As Ferrari's technology continues to evolve, it anticipates that it will collect and store even more data in the future, and that its systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of Ferrari's value is derived from its confidential business information, including car design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, it may lose its competitive advantage and its car sales may suffer. Ferrari also collects, retains and uses certain personal information, including data it gathers from clients for product development and marketing purposes, and data it obtains from employees. Therefore, Ferrari is subject to a variety of ever-changing data protection and privacy laws on a global basis, including the EU General Data Protection Regulation, which came into force on May 25, 2018. To an increasing extent, the functionality and controls of Ferrari's cars depend on in-vehicle information technology. Furthermore, such technology is capable of storing an increasing amount of personal information belonging to its customers.

Any unauthorized access to in-vehicle IT systems may compromise the car security or the privacy of customers' information and expose Ferrari to claims as well as reputational damage. Ultimately, any significant compromise in the integrity of Ferrari's data security could have a material adverse effect on its business.

Ferrari – Ferrari's indebtedness could adversely affect its operations and it may face difficulties in servicing or refinancing its debt

As of December 31, 2018, Ferrari's gross consolidated debt was approximately €1,927 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 - Car sales depend in part on the availability of affordable financing

In certain regions, financing for new car sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. Recent pronouncements of governments and central banks point to a change in the policy environment that may lead to a gradual contraction of monetary policies in coming periods. To the extent that interest rates rise generally, market rates for new car financing are expected to rise as well, which may make Ferrari's cars less affordable to clients or cause consumers to purchase less expensive cars, adversely affecting Ferrari's results of operations and financial condition. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, Ferrari's clients may choose not to, or may not be able to, obtain financing to purchase its cars.

Ferrari - Ferrari may not be able to provide adequate access to financing for its dealers and clients, and its financial services operations may be disrupted

Ferrari's dealers enter into wholesale financing arrangements to purchase cars from it to hold in inventory or to use in showrooms and facilitate retail sales, and retail clients use a variety of finance and lease programs to acquire cars.

In most markets, Ferrari relies 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, 2018, an amount of $782 million was outstanding under revolving securitizations carried out by Ferrari Financial Services Inc. Should Ferrari lose the ability to access the securitization market at advantageous terms or at all, the funding of its wholesale financing business would become more difficult and expensive and its financial condition may be adversely affected.

Any financial services provider, including Ferrari's controlled finance companies, will face other demands on its capital, as well as liquidity issues relating to other investments or to developments in the credit markets. Furthermore, they may be subject to regulatory changes that may increase their costs, which may impair their ability to provide competitive financing products to Ferrari's dealers and retail clients.

To the extent that a financial services provider is unable or unwilling to provide sufficient financing at competitive rates to Ferrari's dealers and retail clients, such dealers and retail clients may not have sufficient access to financing to purchase or lease its cars. As a result, Ferrari's car sales and market share may suffer, which would adversely affect its results of operations and financial condition.

Ferrari's dealer and retail customer financing in Europe are mainly provided through its partnership with FCA Bank S.p.A. ("FCA Bank"), a joint venture between FCA Italy S.p.A. and Crédit Agricole Consumer Finance S.A. ("CACF"). If Ferrari fails to maintain its partnership with FCA Bank or in the event of a termination of the joint venture or change of control of one of its joint venture partners, it may not be able to find a suitable alternative partner with similar resources and experience and continue to offer financing services to support the sales of Ferrari cars in key European markets, which could adversely affect its results of operations and financial condition.

Ferrari - Labor laws and collective bargaining agreements with its labor unions could impact Ferrari's ability to operate efficiently

All of Ferrari's production employees are represented by trade unions, are covered by collective bargaining agreements and/or are protected by applicable labor relations regulations that may restrict Ferrari's ability to modify operations and reduce costs quickly in response to changes in market conditions. These regulations and the provisions in its collective bargaining agreements may impede Ferrari's ability to restructure its business successfully to compete more efficiently and effectively, especially with those automakers whose employees are not represented by trade unions or are subject to less stringent regulations, which could have a material adverse effect on its results of operations and financial condition.

Ferrari – Ferrari is subject to risks associated with exchange rate fluctuations, interest rate changes, credit risk and other market risks

Ferrari operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to the differences in geographic distribution of its sourcing and manufacturing activities from those in its commercial activities, as a result of which its cash flows from sales are denominated in currencies different from those connected to purchases or production activities. For example, Ferrari incurs a large portion of its capital and operating expenses in Euro while it receives the majority of its revenues in currencies other than Euro. In addition, foreign exchange movements might also negatively affect the relative purchasing power of its clients which could also have an adverse effect on its results of operations. For example, the U.S. Dollar gradually appreciated against the Euro in the first half of 2018, to remain relatively stable until early 2019, while the pound sterling remained subject to a high degree of volatility against the Euro. If the U.S. Dollar were to depreciate against the Euro, Ferrari expects that it would adversely impact its revenues and results of operations. Changes in exchange rates between the Euro on the one hand and, on the other hand, the main foreign currencies in which Ferrari operates, also affect its 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. In addition, in the last months of 2018, the United States administration declared that it is considering imposing new tariffs on imported cars. Considerable uncertainty surrounds the introduction and scope of tariffs by the United States or other countries, as well as the potential for additional trade actions by the United States or other countries.

The impact of any such tariffs on Ferrari's operations and results is uncertain and could be significant, and it can provide no assurance that any strategies it implements to mitigate the impact of such tariffs or other trade actions will be successful. While Ferrari manages 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 Ferrari's business, results of operations and financial condition.

Ferrari - If Ferrari were to lose its Authorized Economic Operator certificate, it may be required to modify its current business practices and to incur increased costs, as well as experience shipment delays

Because Ferrari ships and sells its cars in numerous countries, the customs regulations of various jurisdictions are important to its business and operations. To expedite customs procedure, Ferrari applied for, and currently holds, the European Union's Authorized Economic Operator (AEO) certificate. The AEO certificate is granted to operators that meet certain requirements regarding supply chain security and the safety and compliance with law of the operator's customs controls and procedures. Operators are audited periodically for continued compliance with the requirements. The AEO certificate allows Ferrari to benefit from special expedited customs treatment, which significantly facilitates the shipment of its cars in the various markets where it operates. The AEO certificate 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.

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 23.7 percent of its outstanding common shares and approximately 33.6 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 Ferrari board of directors (the "Board of Directors"), capital increases and amendments to the articles of association.

In addition, as of February 15, 2019, Piero Ferrari, the Vice Chairman of Ferrari, holds approximately 10.1 percent of the outstanding Ferrari common shares and approximately 15.5 percent of 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. John Elkann, Ferrari's chairman, is the chairman and an executive director of FCA and chief executive officer of Exor. Certain of Ferrari's other directors and officers may also be directors or officers of FCA or Exor, the Company's and FCA's largest shareholder. These individuals owe duties both to Ferrari and to the other companies that they serve as officers and/or directors. 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 23.7 percent of Ferrari's outstanding common shares and approximately 33.6 percent of the voting power (as of February 15, 2019, while it holds approximately 29.2 percent of the outstanding common shares and approximately 42.3 percent of the voting power in FCA (based on SEC filings). Exor also owns a controlling interest in CNH Industrial N.V., which was part of the FCA group before its spin-off several years ago. These ownership interests could create actual, perceived or potential conflicts of interest when these parties or the common directors and officers are faced with decisions that could have different implications for Ferrari and FCA or Exor, as applicable.

Ferrari - The loyalty voting program may make it more difficult for shareholders to acquire a controlling interest in Ferrari, change its management or strategy or otherwise exercise influence over it, which may affect the market price of its common shares

The provisions of Ferrari's articles of association which establish the loyalty voting program may make it more difficult for a third party to acquire, or attempt to acquire, control of the Company, even if a change of control were considered favorably by shareholders holding a majority of the common shares. As a result of the loyalty voting program, a relatively large proportion of the voting power of Ferrari could be concentrated in a relatively small number of shareholders who would have significant influence over the Company. As of February 15, 2019, Exor had approximately 23.7 percent of outstanding Ferrari common shares and a voting interest in Ferrari of approximately 33.6 percent. As of February 15, 2019, Piero Ferrari holds approximately 10.1 percent of outstanding Ferrari common shares and, as a result of the loyalty voting mechanism, had approximately 15.5 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 Ferrari shareholders. The loyalty voting program may also prevent or discourage shareholder initiatives aimed at changing Ferrari's management or strategy or otherwise exerting influence over Ferrari.

Ferrari – Ferrari is a Dutch public company with limited liability, and its shareholders may have rights different to those of shareholders of companies organized in the United States

The rights of Ferrari's shareholders may be different from the rights of shareholders governed by the laws of U.S. jurisdictions. Ferrari is a Dutch public company with limited liability (*naamloze vennootschap*). Its corporate affairs are governed by its articles of association and by the laws governing companies incorporated in the Netherlands. The rights of shareholders and the responsibilities of members of the Ferrari board of directors may be different from the rights of shareholders and the responsibilities of members of the board of directors in companies governed by the laws of other jurisdictions including the United States. In the performance of its duties, the Ferrari board of directors is required by Dutch law to consider the company's interests and the interests of its shareholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of a Ferrari shareholder.

Ferrari - Ferrari expects to maintain its status as a "foreign private issuer" under the rules and regulations of the SEC and, thus, is exempt from a number of rules under the Exchange Act of 1934 and is permitted to file less information with the SEC than a company incorporated in the United States

As a "foreign private issuer," Ferrari is exempt from rules under the Securities Exchange Act of 1934, as amended ("the Exchange Act") that impose certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, Ferrari's officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Ferrari common shares. Moreover, Ferrari is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor is it required to comply with Regulation FD, which restricts the selective disclosure of material information. Accordingly, there may be less publicly available information concerning Ferrari than there is for U.S. public companies.

Ferrari – Ferrari's ability to pay dividends on its common shares may be limited and the level of future dividends is subject to change

Ferrari's payment of dividends on its common shares in the future will be subject to business conditions, financial conditions, earnings, cash balances, commitments, strategic plans and other factors that its Board of Directors may deem relevant at the time it recommends approval of the dividend. Ferrari's dividend policy is subject to change in the future based on changes in statutory requirements, market trends, strategic developments, capital requirements and a number of other factors. In addition, under its articles of association and Dutch law, dividends may be declared on Ferrari's common shares only if the amount of equity exceeds the paid up and called up capital plus the reserves that have to be maintained pursuant to Dutch law or the articles of association. Further, even if Ferrari is permitted under its articles of association and Dutch law to pay cash dividends on its common shares, it may not have sufficient cash to pay dividends in cash on its common shares. Ferrari is a holding company and its operations are conducted through its subsidiaries. As a result, Ferrari's ability to pay dividends primarily depends on the ability of its subsidiaries, particularly Ferrari S.p.A to generate earnings and to provide Ferrari with the necessary financial resources.

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

Ferrari's shares are listed on both the NYSE and the *Mercato Telematico Azionario* ("MTA"). The dual listing of its common shares may split trading between the NYSE and the MTA, adversely affect the liquidity of the shares and the development of an active trading market for the common shares in one or both markets and may result in price differentials between the exchanges. Differences in the trading schedules, as well as volatility in the exchange rate of the two trading currencies, among other factors, may result in different trading prices for the common shares on the two exchanges.

Ferrari - It may be difficult to enforce U.S. judgments against the Company

Ferrari is organized under the laws of the Netherlands, and a substantial portion of its assets are outside of the United States. Most of its directors and senior management and its independent auditors are resident outside the United States, and all or a substantial portion of their respective assets may be located outside the United States. As a result, it may be difficult for U.S. investors to effect service of process within the United States upon these persons. It may also be difficult for U.S. investors to enforce within the United States judgments against Ferrari predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

In addition, there is uncertainty as to whether the courts outside the United States would recognize or enforce judgments of U.S. courts obtained against Ferrari or its directors and officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Therefore, it may be difficult to enforce U.S. judgments against Ferrari, its directors and officers and its independent auditors.

Ferrari - FCA creditors may seek to hold Ferrari liable for certain FCA obligations

One step of Ferrari's Separation from FCA included a demerger from FCA of the Ferrari common shares previously held by it. In connection with a demerger under Dutch law, the demerged company may continue to be liable for certain obligations of the demerging company that exist at the time of the demerger, but only to the extent that the demerging company fails to satisfy such liabilities. Based on other actions taken as part of the Separation, Ferrari does not believe it retains any liability for obligations of FCA existing at the time of the Separation. Nevertheless, in the event that FCA fails to satisfy obligations to its creditors existing at the time of the demerger, it is possible that those creditors may seek to recover from Ferrari, claiming that it remains liable to satisfy such obligations. While Ferrari believes it would prevail against any such claim, litigation is inherently costly and uncertain and could have an adverse effect.

Risks Related to Taxation

Ferrari - Changes to taxation or the interpretation or application of tax laws could have an adverse impact on 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.

In addition, tax laws are complex and subject to subjective valuations and interpretive decisions, and Ferrari will periodically be subject to tax audits aimed at assessing its compliance with direct and indirect taxes. The tax authorities may not agree with Ferrari's interpretations of, or the positions it has taken or intends to take on, tax laws applicable to its ordinary activities and extraordinary transactions. In case of challenges by the tax authorities to Ferrari's interpretations, the company could face long tax proceedings that could result in the payment of penalties and have a material adverse effect on its operating results, business and financial condition.

Ferrari - As a result of the demergers and the merger in connection with the Separation, Ferrari might be jointly and severally liable with FCA for certain tax liabilities arisen in the hands of FCA

Although the Italian tax authorities confirmed in a positive advance tax ruling issued on 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 2019 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. In September 2018 Ferrari received the mandatory ruling from the Italian tax authorities according to which it is able to significantly reduce its tax expense. The ruling covers the period starting from 2015 and it remains in force until fiscal 2019.The following paragraphs indicate the specific main risks and uncertainties of the companies in consolidation (FCA, PartnerRe, CNH Industrial and Ferrari).

Consolidated Financial Statements at 31 December 2018

CONSOLIDATED INCOME STATEMENT

		Years ended 31 December	
(€ million)	**Note**	**2018**	**2017**
Net revenues	5	143,294	138,226
Cost of revenues	6	(121,283)	(115,297)
Selling, general and administrative expenses		(10,219)	(10,186)
Research and development costs	7	(4,637)	(4,535)
Other income, net	8	455	743
Result from investments	15	314	574
Net financial expenses	9	(1,570)	(2,044)
Profit before taxes		**6,354**	**7,481**
Tax expense	10	(1,240)	(3,054)
Profit from continuing operations		**5,114**	**4,427**
Profit from discontinued operations, net of tax		302	219
Profit for the year		**5,416**	**4,646**
Profit attributable to:			
Owners of the parent		*1,347*	*1,392*
Non-controlling interests		*4,069*	*3,254*
Profit from continuing operations attributable to:			
Owners of the parent		*1,264*	*1,331*
Non-controlling interests		*3,850*	*3,096*
Earnings per share (in €)	12		
Basic earnings per share		5.73	5.93
Diluted earnings per share		5.67	5.87
Earnings per share from continuing operations (in €)	12		
Basic earnings per share		5.38	5.67
Diluted earnings per share		5.31	5.61

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Years ended 31 December	
(€ million)	**Note**	2018	**2017**
Profit for the year (A)	22	**5,416**	**4,646**
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains (losses) on remeasurement of defined benefit plans		499	(24)
Share of gains (losses) on remeasurement of defined benefit plans for equity method investees		-	2
Gains (losses) on financial assets at fair value through other comprehensive income		(12)	-
Related tax effect		(109)	(78)
Items relating to discontinued operations, net of tax		2	5
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods, net of tax (B1)		**380**	**(95)**
Items that may be reclassified to the Consolidated Income Statements in subsequent periods:			
Gains (losses) on cash flow hedging instruments		(43)	239
Gains (losses) on available-for-sale financial assets		-	41
Foreign exchange gains (losses)		284	(3,807)
Share of other comprehensive income (loss) of equity method investees		(172)	(37)
Related tax effect		2	(32)
Items relating to discontinued operations, net of tax		(91)	60
Total items that may be reclassified to the Consolidated Income Statement in subsequent periods, net of tax (B2)		**(20)**	**(3,536)**
Total Other Comprehensive Income (Loss), net of tax (B)=(B1)+(B2)		**360**	**(3,631)**
Total Comprehensive Income (A)+(B)		**5,776**	**1,015**
Total Comprehensive Income (Loss) attributable to:			
Owners of the parent		1,593	(115)
Non-controlling interests		4,183	1,130
Total Comprehensive Income (Loss) attributable to owners of the parent:			
Continuing operations		1,534	(196)
Discontinued operations		59	81

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
(€ million)	**Note**	**2018**	**2017**
Assets			
Intangible assets	13	33,768	32,523
Property, plant and equipment	14	34,079	37,130
Investments and other financial assets	15	4,869	4,589
Deferred tax assets	10	2,697	2,928
Inventories	16	18,652	20,438
Trade and other receivables	17	27,178	26,412
Investments of reinsurance companies	18	13,742	12,971
Other assets	19	7,351	6,717
Assets held for sale	3	4,803	39
Cash and cash equivalents	21	19,136	20,028
Total Assets		**166,275**	**163,775**
Equity and Liabilities			
Equity attributable to owners of the parent	22	12,210	10,805
Non-controlling interests	22	24,235	20,381
Total Equity		**36,445**	**31,186**
Liabilities			
Provisions for employee benefits	24	10,190	11,653
Other provisions	25	19,100	18,132
Technical reserves reinsurance companies	26	12,372	11,690
Deferred tax liabilities	10	1,290	596
Financial debt and other financial liabilities	27	43,576	46,696
Trade payables	29	25,088	27,612
Tax payables		232	532
Other liabilities	30	15,057	15,678
Liabilities held for sale	3	2,925	-
Total Liabilities		**129,830**	**132,589**
Total Equity and Liabilities		**166,275**	**163,775**

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Years ended 31 December	
(€ million)	**Note**	**2018**	**2017**
Cash flows from operating activities:	34		
Profit from continuing operations		5,114	4,427
Amortisation and depreciation		7,003	7,084
Gains on disposal of non-current assets		151	(176)
Other non-cash items		115	199
Dividends received		132	227
Change in provisions		502	721
Change in deferred taxes		642	1,074
Change in inventories, trade and other receivables and payables		(1,221)	(871)
Cash flows from operating activities – discontinued operations		478	705
Total		**12,916**	**13,390**
Cash flows used in investing activities:			
Investments in property, plant and equipment and intangible assets		(7,165)	(9,531)
Investments in joint ventures, associates, unconsolidated subsidiaries and financial assets		(36)	(60)
Net change in Investments of Reinsurance companies (PartnerRe Group)		(1,036)	141
Proceeds from disposal of investments, tangible, intangible and financial assets		172	574
Net change in financial receivables		(1,252)	(1,314)
Net change in securities		(267)	205
Other changes		32	(216)
Cash flows used in investing activities – discontinued operations		(632)	(570)
Total		**(10,184)**	**(10,771)**
Cash flows used in financing activities:			
Issuance of notes		1,603	2,834
Repayment of notes		(3,522)	(5,296)
Proceeds of other long-term debt		2,702	2,834
Repayment of other long-term debt		(4,303)	(5,887)
Net change in short-term debt and other financial assets/liabilities		1,139	62
Capital increase of subsidiaries		11	15
Exercise of stock options		(225)	10
Buyback of treasury shares		(62)	-
Dividends paid		(281)	(291)
Other changes		(2)	(39)
Cash flows used in financing activities – discontinued operations		(90)	(186)
Total		**(3,030)**	**(5,944)**
Translation exchange differences		125	(1,809)
Total Change in Cash and Cash Equivalents		**(173)**	**(5,134)**
Cash and cash equivalents at beginning of the period		**20,028**	**25,162**
Cash and cash equivalents at the end of the period included in Assets held for sale		**(719)**	**-**
Cash and cash equivalents at the end of the period		**19,136**	**20,028**

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ million)	Share Capital	Treasury Reserve	Other reserves	Cash flow hedge reserve	Currency translation differences	Financial assets measured at FVTOCI	Remeasure-ment of defined benefit plans	Cumulative share of OCI of equity method investments	Total Owners of the parent	Non-controlling interests	Total
At 31 December 2016	**2**	**-**	**10,044**	**9**	**1,419**	**81**	**(330)**	**(243)**	**10,982**	**19,238**	**30,220**
Share-based compensation	-	-	68	-	-	-	-	-	**68**	135	**203**
Capital increase by subsidiaries	-	-	-	-	-	-	-	-	**-**	12	**12**
Dividends declared	-	-	(82)	-	-	-	-	-	**(82)**	(205)	**(287)**
Total comprehensive income	-	-	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)	-	4	-	**(85)**	86	**1**
Other changes	-	-	80	-	-	-	-	-	**80**	(15)	**65**
At 31 December 2017	**2**	**-**	**11,417**	**71**	**(185)**	**71**	**(354)**	**(217)**	**10,805**	**20,381**	**31,186**
Impact from the adoption of IFRS 15 and IFRS 9	-	-	64	-	-	(97)	-	-	**(33)**	(91)	**(124)**
At 1 January 2018	**2**	**-**	**11,481**	**71**	**(185)**	**(26)**	**(354)**	**(217)**	**10,772**	**20,290**	**31,062**
Share-based compensation	-	-	54	-	-	-	-	-	**54**	99	**153**
Buyback of treasury shares	-	(62)	-	-	-	-	-	-	**(62)**	-	**(62)**
Capital increase by subsidiaries	-	-	-	-	-	-	-	-	**-**	10	**10**
Dividends declared	-	-	(82)	-	-	-		-	**(82)**	(257)	**(339)**
Total comprehensive income	-	-	1,347	(10)	211	(8)	126	(73)	**1,593**	4,183	**5,776**
Effect of the change in the percentage ownership of companies[(b)]	-	-	(29)	-	1	-	(2)	(2)	**(32)**	32	**-**
Other changes	-	-	(33)	-	-	-	-	-	**(33)**	(122)	**(155)**
At 31 December 2018	**2**	**(62)**	**12,738**	**61**	**27**	**(34)**	**(230)**	**(292)**	**12,210**	**24,235**	**36,445**

(a) Of which (€29) million relates to the CNH Industrial Group and (€56) million relates to the FCA Group.
(b) Of which €11 million relates to the CNH Industrial Group and (€40) million relates to the FCA Group.

(The accompanying notes are an integral part of these consolidated financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information on the activities of the Group

EXOR N.V. ("EXOR" or the "Company" and together with its subsidiaries the "EXOR Group" or the "Group"), was incorporated as a public limited company (*naamloze vennootschap*) under the laws of the Netherlands on 30 September 2015 and in 2016 became the holding company for the EXOR Group following the cross-border merger with EXOR S.p.A. (the "Merger").

EXOR is one of Europe's leading diversified holding companies and is controlled by Giovanni Agnelli B.V.which holds 52.99% of its share capital.

EXOR and its subsidiaries operate in the reinsurance sector, automotive industry, agricultural equipment, construction equipment, commercial vehicles and professional football.

EXOR's principal investments are in Fiat Chrysler Automobiles N.V. and its subsidiaries ("FCA" or the "FCA Group"), CNH Industrial N.V. and its subsidiaries ("CNH Industrial" or the "CNH Industrial Group"), Ferrari N.V. and its subsidiaries ("Ferrari" or the "Ferrari Group"), ParterRe Ltd and its subsidiaries ("PartnerRe" or the "PartnerRe Group") and Juventus Football Club S.p.A. ("Juventus").

EXOR has filed a list of subsidiaries and associated companies, prepared in accordance with Sections 379 and 414, Book 2, Dutch Civil Code, at the Dutch trade register of Amsterdam.

2 Basis of preparation and significant accounting policies

Authorisation of Consolidated Financial Statements and Compliance with International Financial Reporting Standards

These consolidated financial statements, together with notes thereto, at and for the year ended 31 December 2018 (the "Consolidated Financial Statements") were authorised for issuance on 27 March 2019 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as adopted by European Union ("EU-IFRS") and Part 9 of Book 2 of the Dutch Civil Code. The designation "IFRS" also includes International Accounting Standards ("IAS") as well as all interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of preparation

The Consolidated Financial Statements are prepared on the going concern assumption under the historical cost convention, except where the use of fair value is required for the measurement of certain financial assets and derivatives.

The Group's presentation currency is Euro, which is also the functional currency of the Company and, unless otherwise stated, information is presented in millions of Euro.

The Group presents the income statement using a classification based on the function of expenses, rather than a presentation based on the nature of expenses, as it is more representative of the format used for internal reporting and management purposes and consistent with international practice.

The statement of financial position is presented in decreasing order of liquidity as permitted by IAS 1 paragraph 60. More specifically, the Consolidated Financial Statements include both industrial companies and financial services companies. While a separate classification of current and non-current in the statement of financial position provides useful information for industrial business, for the entities that have diverse operations and for which financial services activities are significant, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and more relevant.

New standards and amendments effective from 1 January 2018 endorsed by the EU

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") requires companies to recognise revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive for those goods or services.

Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented, and the cumulative effect of applying the standard would be recognised at the earliest period shown, or a modified retrospective approach with the cumulative effect of initially applying the new guidance recognised at the date of initial application within the consolidated statement of changes in equity.

The Group adopted IFRS 15 and all the related amendments using the modified retrospective method, with the cumulative effect of initially applying the standard recognised as an adjustment to the Group's opening equity balance at 1 January 2018. The comparative period has not been restated and continues to be reported under the accounting standards in effect for periods prior to 1 January 2018.

The impact of adopting IFRS 15 on equity at 1 January 2018 is a net reduction of €105 million and is primarily related to the FCA Group and the CNH Industrial Group.

The majority of our revenues continue to be recognised in a manner consistent with prior years, nevertheless certain services (mainly maintenance and repair contracts, as well as extended warranty contracts and certain other incentives provided to customers) require different timing of recognition of revenues and margin. For further information on the accounting policy for revenue recognition under IFRS 15 see "*Revenue recognition*" below.

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

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

As a result of the adoption of IFRS 9, the Group has classified and measured its financial assets at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") or fair value through profit and loss ("FVTPL"), depending on its business model for managing such financial assets and the asset's contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity ("HTM"), loans and receivables ("L&R") and available for sale ("AFS").

The classification used previously under IAS 39 has been discontinued from 1 January 2018 and the Group has not restated prior periods. For hedge accounting, the Group applied the standard prospectively. Comparative figures have not been restated for the classification and measurement provisions of the standard, including impairment, and continue to be reported under the accounting standards in effect for periods prior to 1 January 2018.

The impact of adopting IFRS 9 on equity at 1 January 2018 is a net reduction of €19 million and is primarily related to the FCA Group and the CNH Industrial Group.

The cumulative effect of the changes made to our Consolidated Statement of Financial Position at 1 January 2018 for the adoption of IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* is as follows:

(€ million)	**At 31 December 2017 (as reported)**	**IFRS 15 Adoption Effect**	**IFRS 9 Adoption Effect**	**At 1 January 2018 (as adjusted)**
Assets				
Intangible assets	32,523	-	-	32,523
Property, plant and equipment	37,130	-	-	37,130
Investments and other financial assets	4,589	-	(17)	4,572
Deferred tax assets	2,928	29	1	2,958
Inventories	20,438	(288)	-	20,150
Trade and other receivables	26,412	(39)	(3)	26,370
Investments of reinsurance companies	12,971	-	-	12,971
Other assets	6,717	30	-	6,747
Assets held for sale	39	-	-	39
Cash and cash equivalents	20,028	-	-	20,028
Total Assets	**163,775**	**(268)**	**(19)**	**163,488**
Equity and Liabilities				
Equity attributable to owners of the parent	10,805	(28)	(5)	10,772
Non-controlling interests	20,381	(77)	(14)	20,290
Total Equity	**31,186**	**(105)**	**(19)**	**31,062**
Liabilities				
Provisions for employee benefits	11,653	-	-	11,653
Other provisions	18,132	(326)	-	17,806
Technical reserves reinsurance companies	11,690	-	-	11,690
Deferred tax liabilities	596	-	-	596
Financial debt and other financial liabilities	46,696	-	-	46,696
Trade payables	27,612	(73)	-	27,539
Tax payables	532	-	-	532
Other liabilities	15,678	236	-	15,914
Liabilities held for sale	-	-	-	-
Total Liabilities	**132,589**	**(163)**	**-**	**132,426**
Total Equity and Liabilities	**163,775**	**(268)**	**(19)**	**163,488**

Amendments to IFRS 2 – Share-Based Payment

The Group adopted Amendments to IFRS 2 – *Share-Based Payment*. The amendments 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 amendments are effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group has applied the amendments to share-based payment transactions under the Group's equity incentive plan that contains a net settlement feature for withholding tax obligations, resulting in such transactions being classified in their entirety as equity-settled. There were no other effects from the adoption of these amendments.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The Group adopted IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*. The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation is effective on or after 1 January 2018. There was no effect from the adoption of this interpretation.

Annual Improvements to IFRSs 2014-2016 Cycle

The Group adopted Annual Improvements to IFRSs *2014-2016 Cycle*. The improvements have amended two standards with effective date of 1 January 2018: i) IFRS 1 – *First-time Adoption of International Financial Reporting Standards* and ii) IAS 28 – *Investments in Associates and Joint Ventures*. The amendments clarify, correct or remove redundant wording in the related IFRS Standards. There was no effect from the adoption of these amendments.

New standards, amendments and interpretations not yet effective endorsed by the EU

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") endorsed by the EU that will have mandatory application in 2019 or subsequent years are listed below.

IFRS 16 – Leases

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 recognise 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 recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

The Group will apply IFRS 16 from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and not restate comparative amounts for the year prior to first adoption. Right-of-use is measured at the amount of the lease liability on adoption, adjusted for any prepaid or accrued lease expenses.

The Group elected to use the exemptions permitted by the standard on lease contracts for which the lease terms ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value (for example mobile phones, personal computers, printing and photocopying machines).

At 1 January 2019, after considering the exemptions mentioned above, the Group expects to recognise right-of-use assets and lease liabilities of approximately €1.8 billion, of which approximately €0.2 billion will be included in Assets and Liabilities held for sale.

The impact of adoption on Net profit is expected to be immaterial over time but a timing effect will occur due to the front-loading of interest expense as compared to IAS 17. There will be a reclassification from rent expense to depreciation and amortization expense and to interest expense. As a result of this reclassification, cash flows from operating activities will increase and be offset by a decrease in cash flows from financing activities and, accordingly, there will be an immaterial change in the underlying cash flows for the year. The estimated impact on the consolidated income statement from continuing and discontinued operations for 2019 is expected to be immaterial. The opening balance of lease liabilities as at 1 January 2019 will exclude short-term leases, leases of low value assets and will be discounted as compared with the minimum operating lease payments under IAS 17 at 31 December 2018.

IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017 the IASB issued IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments which clarifies application of recognition and measurement requirements in IAS 12 – *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. 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 1 January 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 recognised as an adjustment to equity on the date of initial application and without restatement of the comparative information.

The Group will apply IFRIC 23 from 1 January 2019 under the retrospective approach with the cumulative effect of the initial application recognised as an adjustment to equity on the date of initial application. The Group does not expect a material impact to our Consolidated Financial Statements or disclosures upon application of the interpretation.

IFRS 9 – Prepayment Features with Negative Compensation

In October 2017 the IASB issued Amendments to IFRS 9 – Financial Instruments that allow, under certain conditions, for a prepayable financial asset with negative compensation payments to be measured at amortised cost or at fair value through other comprehensive income. The final amendments also contain a clarification relating to the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The amendments are effective on or after 1 January 2019. The Group does not expect any impact from the adoption of these amendments.

New standards, amendments and interpretations not yet effective issued by the IASB and not yet endorsed by the EU

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") not yet endorsed by the EU that will have mandatory application in 2019 or subsequent years are listed below. Effective dates refer to those as issued by the IASB and may differ from those of the EU when the relevant standard is endorsed.

IFRS 17 – Insurance Contracts

In May 2017 the IASB issued IFRS 17 – *Insurance Contracts* which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 requires all insurance contracts to be accounted for in a consistent manner and insurance obligations to be accounted for using current values, instead of historical cost. The new standard requires current measurement of the future cash flows and the recognition of profit over the period that services are provided under the contract. IFRS 17 also requires entities to present insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses, and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of those income or expenses in other comprehensive income. IFRS 17 is effective on or after 1 January 2021 with early adoption allowed if IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* are also applied. The Group is analysing the impact of the adoption of this standard.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

In October 2017 the IASB issued amendments to IAS 28 – *Long Term Interests in Associates and Joint Ventures* to clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendment is effective on or after 1 January 2019. The Group does not expect a material impact from the adoption of these amendments.

Annual Improvements to IFRS Standards 2015-2017 Cycle

In December 2017 the IASB issued Annual Improvements to IFRSs *2015 – 2017 Cycle*, which has amendments to the following four Standards: IFRS 3 – *Business Combinations*, in relation to obtaining control of a business which was previously accounted for as an interest in a joint operation, IFRS 11 – *Joint Arrangements*, in relation to obtaining joint control of a business which was previously accounted for as a joint operation, IAS 12 – *Income Taxes*, clarifying the treatment of taxes in relation to dividend payments and IAS 23 – *Borrowing Costs*, clarifying the treatment of borrowings which were previously capitalised when the related asset is ready for its intended use or sale. The amendments are effective on or after 1 January 2019. The Group does not expect any material impact from the adoption of these amendments.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018 the IASB issued amendments to IAS 19 – *Employee Benefits*. When there is a change to a defined benefit plan (an amendment, curtailment or settlement) the amendments require that a company use the updated assumptions from the remeasurement of a net defined benefit liability or asset to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

These amendments are effective on or after 1 January 2019. The Group does not expect a material impact from the adoption of these amendments.

Amendment to IFRS 3 – Business Combinations
In October 2018 the IASB issued narrow scope amendments to IFRS 3 – *Business Combinations* to improve the definition of a business. The amendments aim to help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the definition of a business, supplementary guidance is provided. These amendments are effective on or after 1 January 2020. The Group does not expect any material impact from the adoption of these amendments.

Amendments to IAS 1 and IAS 8 – Definition of Material
In October 2018 the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* to clarify the definition of 'material', as well as how materiality should be applied by including in the definition guidance that is included elsewhere in IFRS standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS standards. These amendments are effective on or after 1 January 2020. The Group does not expect any material impact from the adoption of these amendments.

Amendments to References to the Conceptual Framework in IFRS
In March 2018 the IASB revised the Conceptual Framework for Financial Reporting, effective immediately for the IASB and the IFRS Interpretations Committee when setting future standards, and effective for annual reporting periods on or after 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, with early application permitted. Key changes include (i) increasing the prominence of stewardship in the objective of financial reporting; (ii) reinstating prudence as a component of neutrality, defined as the exercise of caution when making judgements under conditions of uncertainty; (iii) defining a reporting entity; (iv) revising the definitions of an asset and a liability; (v) removing the probability threshold for recognition, and adding guidance on derecognition; (vi) adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis; and (vii) stating that profit or loss is the primary performance indicator and income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced. The Group does not expect a material impact from the adoption of the revised Conceptual Framework for Financial Reporting.

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 recognised directly in the equity attributable to the owners of the parent.
Subsidiaries are deconsolidated from the date that control ceases. When the Group ceases to have control over a subsidiary, it derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, derecognises the carrying amount of non-controlling interests in the former subsidiary and recognises the fair value of any consideration received for the transaction. Any retained interest in the former subsidiary is recognised at fair value. Any gains or losses recognised in other comprehensive income in respect of the measurement of the assets of the subsidiary are accounted for as if the subsidiary had been sold (i.e. reclassified to the income statement or transferred directly to retained earnings as required by other IFRS).

Joint ventures and Associates
Joint ventures are entities in which the Group has contractually agreed sharing of control of an arrangement or whereby a contractual arrangement exists whereby two or more parties undertake an economic activity that is subject to joint control.

Associates are entities over which the Group has significant influence, as defined in IAS 28 – *Investments in Associates and Joint Ventures*. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

Investments in joint ventures and associates are accounted for using the equity method from the date that joint control or significant influence commences until the date it ceases. When the Group's share of losses of a joint venture or associate exceeds the Group's interest in that joint venture or associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group discontinues the use of the equity method from the date that the investment ceases to be an associate or a joint venture, or when it is classified as available for sale.

Interests in Joint Operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, it recognises its related interest in the joint operation including: (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operation and (v) its expenses, including its share of any expenses incurred jointly.

Transactions eliminated in consolidation
All significant intragroup balances and transactions and any unrealised gains and losses arising from intragroup transactions are eliminated. Unrealised gains and losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Foreign currency transactions
The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the exchange rate prevailing at the date of the statement of financial position. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded, are recognised 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 within Other comprehensive income/(loss) until the disposal of the subsidiary. Average exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the statement of cash flows.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

	2018		2017	
	Average	At 31 December	Average	At 31 December
U.S. dollar	1.181	1.145	1.130	1.199
Brazilian real	4.308	4.444	3.605	3.973
Chinese renmimbi	7.808	7.875	7.629	7.804
Polish zloty	4.261	4.301	4.257	4.177
Argentinian peso	43.074	43.074	18.683	22.595
British pound	0.885	0.895	0.877	0.888
Swiss franc	1.155	1.127	1.112	1.170
Mexican peso	22.705	22.492	21.329	23.661
Canadian dollar	1.529	1.561	1.417	1.504

Date of reference

The investments are consolidated using the financial statements at 31 December, EXOR's year-end closing date, which covers a 12-month period, or accounting data prepared at the same date (whenever the closing date is different from EXOR's), adjusted, where necessary, to conform with the accounting principles of the Group.
The Economist Group, whose financial year closes on 31 March of each year, has been consolidated using the equity method on the basis of the most recent data available (30 September 2018). At 31 December 2018 there were no significant variations compared to the data used for the purposes of these consolidated financial statements.

Assets Held for Sale and Discontinued Operations

Pursuant to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and the sale is highly probable, with the sale expected to be completed within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are presented separately in the consolidated statement of financial position. Non-current assets and disposal groups are not classified as held for sale within the comparative period presented for the consolidated statement of financial position.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and (i) represents either a separate major line of business or a geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resell and the disposal involves loss of control.

Classification as a discontinued operation occurs upon disposal or when the asset or disposal group meets the criteria to be classified as held for sale, if earlier. When the asset or disposal group is classified as a discontinued operation, the comparative information is reclassified within the consolidated income statement as if the asset or disposal group had been discontinued from the start of the earliest comparative period presented.

Business combinations

Business combinations are accounted for by applying the acquisition method of accounting in accordance with IFRS 3 – *Business Combinations*.
When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in the income statement under Result from investments. Changes in the equity interest in the acquiree that have been recognised in other comprehensive income in prior reporting periods are reclassified to the income statement as if the equity interest had been disposed of.

Intangible assets

Goodwill
Goodwill represents the excess of the fair value of consideration paid over the fair value of net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives consist principally of brands which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired.

Intangible assets with a finite useful life
Intangible assets with a finite useful life are recognised at purchase or production cost less amortisation and cumulative impairment losses. Amortisation is calculated on a systematic basis over the asset's useful life and begins when the asset is available for use.

The main intangible assets with a finite useful life are as follows:

Development costs
Development costs are recognised as an asset if both of the following conditions within IAS 38 – *Intangible Assets* are met: (i) that development expenditure can be measured reliably and (ii) that the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalised development expenditures include all direct and indirect costs that may be directly attributed to the development process.
Capitalised development costs are amortised on a straight-line basis from the start of production over the expected life cycle of the product, and on average are as follows:

	Automobiles	Trucks and buses	Agricultural and Construction Equipment	Powertrain
Number of years	5-6	4-8	5	10-12

Research and all other development costs which do not meet the above criteria are expensed as incurred.

Players' registration rights
Players' registration rights are recognised at cost, including auxiliary expenses, and discounted to present value. They are amortised on a straight-line basis over the duration of the contracts the company has signed with the individual football players.

Other intangible assets
Other intangible assets with a finite useful life are recognised in accordance with IAS 38 – *Intangible Assets* when it is probable that the use of the asset will generate future economic benefits for the Group and the cost of the asset can be measured reliably. Other intangible assets are recorded at purchase or production cost and amortised on a straight-line basis over their estimated useful lives. Other intangible assets recognised subsequent to the acquisition of a company are recorded separately from goodwill if their fair value can be measured reliably.

Property, plant and equipment

Cost
Property, plant and equipment is initially recognised 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 recognised at production cost. Subsequent expenditures and the cost of replacing parts of an asset are capitalised only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalised, the carrying amount of the parts that are replaced is recognised 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 capitalised. 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 recognised 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.

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%

Impairment of assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that an asset may be impaired. Assets with definitive useful life are tested for impairment only if impairment indicators are present. At the end of each reporting period the Group assesses whether there is any indication that its finite-lived intangible assets (including capitalised development expenditures) and its property, plant and equipment may be impaired.

If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount, that is, the higher of fair value less costs of disposal and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In assessing the value in use of an asset, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the recoverable amount is lower than the carrying amount.

Where an impairment loss for assets, other than goodwill, subsequently no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognised. The reversal of an impairment loss is recognised in in the income statement immediately.

Financial assets and liabilities

Financial assets primarily include trade receivables, receivables from financing activities, investments in other companies, derivative financial instruments, cash and cash equivalents, and debt securities that represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents.

Financial liabilities primarily consist of debt, derivative financial instruments, trade payables and other liabilities. The classification of financial liabilities under IFRS 9 is unchanged compared with the previous accounting requirements under IAS 39.

Receivables from dealer financing activities are typically generated by sales of vehicles and are generally managed under dealer network financing programs. These receivables are interest-bearing with the exception of an initial, limited, non-interest-bearing period. The contractual terms governing the relationships with the dealer networks vary according to market and payment terms, which range from two to twelve months.

Classification and measurement (policy applicable from 1 January 2018)

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

Financial asset cash flow business model	Initial measurement[1]	Measurement category[3]
Solely to collect the contractual cash flows represented by principal and interest (Held to Collect)	Fair Value less transaction costs	Amortised Cost[2]
Collect both the contractual cash flows and generate cash flows arising from the sale of assets (Held to Collect and Sell)	Fair Value less transaction costs	Fair value through other comprehensive income ("FVTOCI")
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair Value	Fair value through profit and loss ("FVTPL")

1) A trade receivable without a significant financing component, as defined by IFRS 15, is initially measured at the transaction price.
2) Receivables with maturities of over one year, which bear no interest or have an interest rate significantly lower than market rates are discounted using market rates.
3) On initial recognition, the Group may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVTOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Factors considered by the Group in determining the business model for a group of financial assets include:

- past experience on how the cash flows for these assets were collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales activity expectations;
- how the asset's performance is evaluated and reported to key management personnel; and
- how risks are assessed and managed and how management is compensated.

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

Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, commercial paper and certificate of deposits that are readily convertible into cash, with original maturities of three months or less at the date of purchase. Cash and cash equivalents are subject to an insignificant risk of changes in value and consist of balances across various primary national and international money market instruments. Money market funds consist of investments in high quality, short-term, diversified financial instruments that can generally be liquidated on demand and are measured at FVTPL. Cash at banks and other cash equivalents are measured at amortised cost.

Investments in other companies are measured at fair value. Equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value may be measured at cost as an estimate of fair value, as permitted by IFRS 9. The Group may irrevocably elect to present subsequent changes in the investment's fair value in Other comprehensive income ("OCI") upon the initial recognition of an equity investment that is not held to sell. This election is made on an investment-by-investment basis. Generally, any dividends from these investments are recognised in Other income from investments within Result from investments when the Group's right to receive payment is established. Other net gains and losses are recognised in OCI and will not be reclassified to the Consolidated Income Statement in subsequent periods. Impairment losses (and the reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value in OCI.

Impairment of financial assets (policy applicable from 1 January 2018)

On 1 January 2018, the Group changed the impairment model for its financial assets moving from the incurred loss model under IAS 39 to the expected credit loss (“ECL”) model under IFRS 9. Until 31 December 2017, the Group estimated the incurred losses arising from the failure or inability of customers to make payments when due.

These estimates were assessed on an individual basis, taking into account the aging of customers’ balances, specific credit circumstances and historical experience, and on a collective basis, using loss forecast models that considered a variety of factors that include, but are not limited to, historical loss experience, collateral value, portfolio balance and delinquency.

In accordance with IFRS 9, the simplified approach, which requires expected lifetime losses, was applied to trade receivables. For receivables from financing activities the Group applied the general approach recording the credit losses either on a 12-month or lifetime basis.

The simplified approach for determining the lifetime ECL allowance is performed in two steps:

- All trade receivables that are in default, as defined below, are individually assessed for impairment; and
- A general reserve is recognised for all other trade receivables (including those not past due) based on historical loss rates.

The Group considers a financial asset to be in default when: (i) the borrower is unlikely to pay its obligations in full and without consideration of compensating guarantees or collateral (if any exist); or (ii) the financial asset is more than 90 days past due.

The Group applies the general approach as determined by IFRS 9 by assessing at each reporting date whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The Group considers receivables to have experienced a significant increase in credit risk when certain quantitative or qualitative indicators have been met or the borrower is more than 30 days past due on its contractual payments. The “three-stages” for determining and measuring the impairment based on changes in credit quality since initial recognition are summarised below:

Stage	Description	Time period for measurement of ECL
Stage 1	A financial instrument that is not credit impaired on initial recognition	12-month ECL
Stage 2	A financial instrument with a significant increase in credit risk since initial recognition	Lifetime ECL
Stage 3	A financial instrument that is credit-impaired or has defaulted	Lifetime ECL

Considering forward-looking economic information, ECL is determined by projecting the probability of default, exposure at default and loss given default for each future contractual period and for each individual exposure or collective portfolio. The discount rate used in the ECL calculation is the stated effective interest rate or an approximation thereof. Each reporting period, the assumptions underlying the ECL calculation are reviewed and updated as necessary. Since adoption, there have been no significant changes in estimation techniques or significant assumptions that led to material changes in the ECL allowance.

The gross carrying amount of a financial asset is written-off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that a debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

Hedge accounting

Derivative financial instruments are used for economic hedging purposes, in order to reduce currency, interest rate and market price risks (primarily related to commodities and securities).

The fair value of other financial assets and liabilities, which mainly include derivative financial instruments, is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial environment.

In particular:

- the fair value of forward contracts and currency swaps is determined by taking the prevailing exchange rates and interest rates at the balance sheet date;
- the fair value of interest rate swaps and forward rate agreements is determined by taking the prevailing interest rates at the balance sheet date and using the discounted expected cash flow method;
- the fair value of combined interest rate and currency swaps is determined using the exchange rates and interest rates prevailing at the balance sheet date and the discounted expected cash flow method;
- the fair value of swaps and options hedging commodity price risk is determined by using suitable valuation techniques and taking market parameters at the balance sheet date (in particular, underlying prices, interest rates and volatility rates).

IFRS 9 aims to simplify hedge accounting and to reflect the effect of an entity's risk management activities in the financial statements, allowing more hedging instruments and hedged items to qualify for hedge accounting. The new hedge accounting rules align the accounting for hedge instruments more closely with the Group's risk management practices. The standard also introduces expanded disclosure requirements and changes in presentation. The Group undertook an assessment of its IAS 39 hedge relationships existing at 31 December 2017 against the requirements of IFRS 9 and concluded that these hedge relationships qualify as continuing hedges upon the adoption of IFRS 9.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability attributable to a particular risk that could affect the Consolidated Income Statement, the gain or loss from remeasuring the hedging instrument at fair value is recognised in the Consolidated Income Statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in the Consolidated Income Statement.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognised asset or liability or a highly probable forecasted transaction and could affect the Consolidated Income Statement, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income/(loss). When the hedged forecasted transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in Other comprehensive income/(loss) are reclassified and included in the initial measurement of the cost of the non-financial asset. The effective portion of any gain or loss is recognised in the Consolidated Income Statement at the same time as the economic effect arising from the hedged item that affects the Consolidated Income Statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognised in the Consolidated Income Statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realised to the point of termination remains and is recognised in the Consolidated Income Statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss held in Other comprehensive income/(loss) is recognised in the Consolidated Income Statement immediately.

Hedges of a net investment

If a derivative financial instrument is designated as a hedging instrument for a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognised in Other comprehensive income/(loss). The cumulative gain or loss is reclassified from Other comprehensive income/(loss) to the Consolidated Income Statement upon disposal of the foreign operation.

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

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

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

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the Consolidated Income Statement.

Transfers of financial assets

The Group derecognises financial assets when the contractual rights to the cash flows arising from the asset are no longer held or if it transfers substantially all the risks and rewards of ownership of the financial asset. On de-recognition of financial assets, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognised in the Consolidated Income Statement.

The Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. Factoring transactions may be either with recourse or without recourse.

Certain transfers include deferred payment clauses requiring first loss cover (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), whereby the transferor has priority participation in the losses, or requires a significant exposure to the variability of cash flows arising from the transferred receivables to be retained. These types of transactions do not meet the requirements of IFRS 9 for the derecognition of the assets since the risks and rewards connected with ownership of the financial asset are not substantially transferred, and accordingly the Group continues to recognise these receivables within the Consolidated Statement of Financial Position and recognises a financial liability for the same amount under Asset-backed financing, which is included within Financial Debt. These types of receivables are classified as held-to-collect, since the business model is consistent with the Group's continuing recognition of the receivables.

The fair value of financial instruments is measured in accordance with a fair value hierarchy that prioritises the information used to measure fair value into three broad levels. Transfers between the hierarchy levels are recognised at the beginning of the period.

Investments at fair value of Reinsurance companies
Investments at fair value of reinsurance companies represent investments held by PartnerRe and include fixed income securities, short term investments, equities, accrued interest, non-foreign exchange derivatives, other invested assets and funds held by reinsurance companies. PartnerRe classifies the majority of its reinsurance investments as financial assets at fair value through profit or loss (FVTPL). Upon initial recognition these investments are designated as FVTPL because they are managed and their performance is evaluated on a fair value basis. Derivative assets and liabilities are classified as held for trading.

Certain investments are classified as available-for-sale financial assets and are measured at fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date). Gains and losses on available-for-sale financial assets are recognised 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 recognised 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 recognised 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 amortised cost.

Gains and losses arising from the changes in the fair value of reinsurance investments classified as FVTPL or held for trading are included in the income statement in the period in which they arise. Net investment income for the reinsurance investments includes interest and dividend income, amortisation 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 recognised when earned. Realised gains and losses on the disposal of investments are determined on a first-in, first-out basis. Investment purchases and sales are recorded on a trade-date basis.

Inventories

Inventories of raw materials, semi-finished products and finished goods (including assets sold with a buy-back commitment) are stated at the lower of cost and net realisable value, cost being determined on a first-in-first-out (FIFO) basis. The measurement of inventories includes the direct costs of materials, labour 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 realisable value. Net realisable 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 recognised and measured at fair value.
When the net obligation is a potential asset, the recognised 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 recognised as follows:

- the service costs are recognised 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 recognised 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 recognised in the income statement) and any change in the effect of the asset ceiling are recognised 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 recognised 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 recognised 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 recognises costs for a restructuring.

Post-employment plans other than pensions

The Group provides certain post-employment defined benefits, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Share-based compensation

Share-based compensation plans that are be settled by the delivery of shares are measured at fair value at the grant date. This fair value is expensed over the vesting period of the plan with a corresponding increase in equity.

Share-based compensation plans that are be settled in cash or by the delivery of other financial assets are recognised 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 recognised in the income statement.

Provisions

Provisions are recognised 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 capitalised 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 amortised 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 recognised as a deduction from equity. The proceeds from any subsequent sale are recognised in equity.

Revenue recognition

New accounting policy applied from 1 January 2018
Revenue is recognised when control of the vehicles, equipment, services or parts has been transferred and the Group's performance obligations to its customers have been satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The timing of when the Group transfers the goods or services to the customer may differ from the timing of the customer's payment.

The Group recognises a contract liability when it invoices an amount to a customer prior to the transfer of the goods or services provided. When the Group gives its customers the right to return eligible goods, the Group estimates the expected returns based on an analysis of historical experiences. Sales, value added and other taxes that the Group collects on behalf of others concurrently with revenue generating activities are excluded from revenue and are recognised within the Other liabilities and the Tax payables line items in the Consolidated Statement of Financial Position. Incidental items that are immaterial in the context of the contract are recognised as an expense.

The Group also enters into contracts with multiple performance obligations. For these contracts, the Group allocates revenue from the transaction price to the distinct goods and services in the contract on a relative standalone selling price basis. To the extent that the Group sells the good or service separately in the same market, the standalone selling price is the observable price at which the Group sells the good or service separately. For all other goods or services, the Group estimates the standalone selling price using a cost-plus-margin approach.

Sales of goods
The Group has determined that the customers from the sale of vehicles, equipment and service parts are generally dealers, distributors and retail or fleet customers. Transfer of control, and therefore revenue recognition, generally corresponds to the date when the vehicles or service parts are made available to the customer, or when the vehicles or service parts are released to the carrier responsible for transporting them to the customer. This is also the point at which invoices are issued, with payment for vehicles typically due immediately and payment for service parts typically due in the following month. For component part sales, revenue recognition is consistent with that of service parts. The Group also sells tooling, with control transferring at the point in time when the customer accepts the tooling.

The cost of incentives, if any, is estimated at the inception of a contract at the expected amount that will ultimately be paid and is recognised as a reduction to revenue at the time of the sale. If a vehicle or equipment contract transaction has multiple performance obligations, the cost of incentives is allocated entirely to the vehicle or equipment as the intent of the incentives is to encourage sales of vehicles or equipment. If the estimate of the incentive changes following the sale to the customer, the change in estimate is recognised as an adjustment to revenue in the period of the change.

New vehicle sales through the Guarantee Depreciation Program ("GDP") are recognised as revenue when control of the vehicle transfers to the fleet customer, except in situations where the Group issues a put for which there is a significant economic incentive to exercise. Upon recognition of the vehicle revenue, the Group establishes a liability equal to the estimated amount of any residual value guarantee.

With reference to the sales to dealers accompanied by "floor plan" agreements under which the Group offers wholesale financing including "interest-free" financing for a specified period of time (which also varies by geographic market and product line), two separate performance obligations exist. The first performance obligation consists of the sale of the equipment/vehicle to the dealer. Concurrent with the sale of the equipment/vehicle, the Group offers to the dealer wholesale financing through loans. This represents a cash sale incentive recognised as a reduction of net sales.

The second performance obligation consists of a credit facility extended to the dealer. The remuneration of this performance obligation is represented by the interest charged to the dealer. This remuneration is recognised over the period of the outstanding exposure.

For parts sales, when the Group provides its customers with a right to return a transferred product, revenue and corresponding cost of sales are recognised for parts that are not expected to be returned. The expected returns are estimated based on an analysis of historical experience. The portion of revenue (and corresponding cost of sales) related to the parts that are expected to be returned is recognised at the end of the return period. The amount received or receivable that is expected to be returned is recognised as a refund liability, representing the obligation to return the customer's consideration. Furthermore, at the time of the initial sale, the Group recognises a return asset for the right to recover the goods returned by the customer. This asset is initially measured at the former carrying amount of the inventory. At each reporting date, both the refund liability and the return asset are re-measured to record for any revisions to the expected level of returns, as well as any decreases in the value of the returned products.

The Group also sells vehicles to fleet customers where, in addition to guaranteeing the residual value, the contract includes a put option whereby the customer can require the Group to repurchase the vehicles. For these types of arrangements, the Group assesses whether a significant economic incentive exists for the customer to exercise its put option. If the Group determines that a significant economic incentive does not exist for the customer to exercise its put option, then revenue is recognised when control of the vehicle transfers to the fleet customer and a liability is recognised equal to the estimated amount of the residual value guarantee. If the Group determines that a significant economic incentive exists, then the arrangement is accounted for similarly to a repurchase obligation, as described in *Lease installments from assets sold with buy-back commitments* below.

Sales of industrial automation systems

Revenue from the sale of industrial automation systems, is recognised over the contract period in proportion to the costs expected to be incurred based on the Group's historical experience. A loss is recognised if the sum of the expected costs for services under the contract exceeds the transaction price.

Services provided

When control of a good transfers to the customer prior to the completion of shipping activities for which the Group is responsible, this represents a separate performance obligation for which the shipping revenue is recognised when the shipping service is completed. Revenues from services provided are primarily comprised of maintenance plans, extended warranties and repair services and are recognised over the contract period in proportion to the costs expected to be incurred based on the Group's historical experience. These services are either included in the selling price of the vehicle or separately priced. Revenue for services is allocated based on the estimated standalone selling price. Costs associated with the sale of contracts are deferred and are subsequently amortised to expense consistently with how the related revenue is recognised.

Lease installments from assets sold with buy-back commitments

Vehicle sales to fleet customers can include a repurchase obligation, whereby the Group is required to repurchase the vehicles at a given point in time. The Group accounts for such sales as an operating lease. Upon the transfer of vehicles to the fleet customer, the Group records a liability equal to the proceeds received within Other liabilities in the Consolidated Statement of Financial Position. The difference between the proceeds received and the guaranteed repurchase amount is recognised as revenue over the contractual term on a straight-line basis. The cost of the vehicle is recorded within assets sold with a buy-back commitment (Inventories) in the Consolidated Statement of Financial Position and the difference between the cost of the vehicle and the estimated residual value is recognised within Cost of revenues in the Consolidated Income Statement over the contractual term.

Interest income of financial services activities
Interest income, which is primarily generated from the Group by providing dealer and retail financing, is recognised using the effective interest method.

Reinsurance Premiums

Non-life and health net premiums written and earned are based upon reports received from ceding companies, supplemented by PartnerRe's own estimates of premiums for which ceding company reports have not been received. The determination of premium estimates requires a review of PartnerRe's experience with cedants, familiarity with each market, an understanding of the characteristics of each line of business and Management's assessment of the impact of various other factors on the volume of business written and ceded to PartnerRe.

Premium estimates are updated as new information is received from cedants and differences between such estimates and actual amounts are recorded in the period in which the estimates are changed or the actual amounts are determined. Net premiums written and earned are presented net of ceded premiums, which represent the cost of retrocessional protection purchased by PartnerRe.

Premiums are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which is generally one to two years. For U.S. and European wind and certain other risks, premiums are earned commensurate with the seasonality of the underlying exposure. Reinstatement premiums are recognised as written and earned at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The accrual of reinstatement premiums is based on Management's estimate of losses and loss expenses associated with the loss event. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force.

Premiums related to life business are earned over the premium-paying period on the underlying policies.

Cost of revenues

Cost of revenues comprises expenses incurred in the manufacturing and distribution of the Group's products, expenses directly attributable to the financial services, sports activities and reinsurance acquisition costs as follows:

Manufacturing and Distribution - all directly attributable material and production costs, all overheads directly related to production and/or the performance of services, depreciation of property, plant and equipment and the amortisation of intangible assets relating to production and write-downs of inventories, freight and insurance costs relating to deliveries to dealers and agency fees in the case of direct sales and provisions made to cover the estimated cost of product warranties.

Financial services - interest expenses related to financial services financing as a whole and provisions for risks and write-downs of assets.

Sports activities - includes costs for players' wages and technical staff, amortisation and impairment losses on players' registration rights, operating and maintenance costs of sports facilities as well as all the costs incurred for sports events.

Reinsurance acquisition costs for non-life and health contracts comprised of incremental brokerage fees, commissions and excise taxes which vary directly with, and are related to, the acquisition of reinsurance contracts which are capitalised 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 amortised 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 recognised when there is reasonable assurance of the Group's compliance with the conditions for receiving such grants and that the grants will be received. Government grants are recognised 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 recognised 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 recognised, 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 recognised 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 realised 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 recognised to the extent that it is probable that future profits will be available against which they can be utilised.

The Group recognises 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 utilised.

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 recognises 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 unrecognised deferred tax assets at the end of each year and recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current income taxes and deferred taxes are offset when they relate to the same taxation authority and there is a legally enforceable right of offset.

Other taxes not based on income, such as property taxes and capital taxes, are included in other income (expenses).

Dividends

Dividends payable by the Group are reported as a movement in equity in the year in which they are approved by the shareholders' meeting.

Earnings per share

Basic earnings per share are calculated by dividing the profit (loss) attributable to owners of the parent entity by the weighted average number of shares outstanding during the year. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all shares having a potential dilutive effect.

Use of estimates

The Consolidated Financial Statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosures relating to contingent assets and liabilities and the amounts of income and expense reported for the period. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience of the Group and on any other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed periodically and if the items subject to estimates do not perform as assumed then the actual results could differ from the estimates, which would require adjustment accordingly.

The effects of any changes in estimate are recognised 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 recognised in the consolidated financial statements or for which there is a risk that a significant difference may arise in respect to the carrying amounts of assets and liabilities in the future:

Recoverability of Goodwill and Intangible assets with indefinite useful lives

In accordance with IAS 36 – *Impairment of Assets*, goodwill and intangible assets with indefinite lives are not amortised 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 CGUs within the operating segments. The impairment test is performed by comparing the carrying amount and the recoverable amount of each CGU to which goodwill has been allocated. The assumptions used in the impairment test represent management's best estimate for the period under consideration including in relation to expected cash flows, growth rates, discount rates and future developments in the market where the Group operates. There were no impairment tests resulting from the impairment tests for the years ended 31 December 2018 or 2017.

Recoverability of non-current assets with definite useful lives

Non-current assets with definite useful lives include property, plant and equipment, intangible assets and assets held for sale. Intangible assets with definite useful lives mainly consist of capitalised development expenditures of the FCA Group, CNH Industrial Group and Ferrari Group. The Group periodically reviews the carrying amount of non-current assets with definite useful lives when events or circumstances indicate that an asset may be impaired. The recoverability of non-current assets with definite useful lives is based on the estimated future cash flows, using the Group's current business plan, of the cash generating units to which the assets relate. The estimation of future cash flows is based on assumptions which are inherently uncertain in nature and therefore require management judgement. The global automotive industry is experiencing significant change as a result of evolving regulatory requirements for fuel efficiency, greenhouse gas emissions and other tailpipe emissions and emerging technology changes, such as electrification and autonomous driving. The business plans of the Group's subsidiaries could change in response to these evolving requirements and emerging technologies, which may result in changes to estimated future cash flows and could affect the recoverability of non-current assets with definite useful lives. Any change in recoverability would be accounted for at the time such change to the business plan occurs.

For example, FCA's product development strategies may be affected by regulatory changes as well as changes in the expected costs of implementing electrification, including the cost of batteries. As relevant circumstances change, FCA expect to adjust their product plans which may result in changes to the expected use of certain of the FCA Group's vehicle platforms. In addition, recoverability of certain vehicle platforms, particularly in EMEA, depends on the development and launch of additional vehicles with forecasted volumes and margins largely in line with our business plan. These uncertainties could result in either impairments of, or reductions to the expected useful lives of, these platforms, or both. Any change in recoverability would be accounted for at the time such change to the business plan occurs.

For the years ended 31 December 2018 and 2017, the impairment tests performed compared the carrying amount of the assets included in the respective CGUs to their value in use. The value in use of the CGUs was determined using a discounted cash flow methodology based primarily on unobservable inputs, including estimated pre-tax future cash flows attributable to the CGUs and a pre-tax discount rate reflecting a current market assessment of the time value of money and the risks specific to the CGU.

For FCA the total amount of non-current assets with definite useful lives amounted to €38,056 million, of which property, plant and equipment for €26,307 million and intangible assets for €11,749 million.

During the year ended 31 December 2018 impairment losses to intangible assets totaling €156 million and impairment losses to property, plant and equipment totaling €208 million were recognised. The most significant components of these impairment losses were in the FCA Group for a total of €297 million, mainly in EMEA, and primarily resulting from changes in product plans in connection with their 2018-2022 business plan.

During the year ended 31 December 2017 impairment losses to intangible assets amounted to €128 million and impairment losses to property, plant and equipment amounted to €191 million. The most significant components of these impairment losses were in the FCA Group for a total of €219 million, including in EMEA and to a lesser extent LATAM, related to changes in the global product portfolio. In addition, impairment losses of €21 million were recorded during the second quarter of 2017, due to the continued deterioration of the economic conditions in Venezuela.

Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilised. The recoverability of deferred tax assets depends on the Group's ability to generate sufficient future taxable income in the period in which it is assumed that the deductible temporary differences reverse and tax losses carried forward can be utilised. In making this assessment the Group considers future taxable income based on the most recent budgets and plans prepared using the same criteria as those for the impairment of assets and goodwill. These estimates and assumptions are subject to a high degree of uncertainty, in particular with regard to the future performance in the Eurozone. Therefore changes in current estimates due to unanticipated events could have a significant impact on the Group's consolidated financial statements.

Litigation

The Group's subsidiaries are subject to various proceedings, claims and governmental investigations on a wide range of topics. Some of these proceedings allege defects in specific products or general design defects. Such proceedings seek recovery for damage to property, personal injuries or wrongful death and in some cases include a claim for exemplary or punitive damages. Adverse decisions could require the relevant subsidiary to pay substantial damages or undertake service actions, recall campaigns or other costly actions.

Litigation is subject to many uncertainties and the outcome of the individual matters is not predictable. An accrual is recorded if it is probable that there will be an outflow of funds and when the amount can be reasonably estimated. Since such accruals represent estimates, the final resolution could require the Group to make payments in excess of the amounts accrued or in an amount or range that could not previously be estimated.

The subsidiaries of the Group monitor the status of pending legal proceedings and consult with experts on legal and tax matters on a regular basis.

Share-based compensation

The Group accounts for its equity incentive plans in accordance with IFRS 2 – *Share-based Payment*, which requires the recognition of share-based compensation expense based on the fair value of the awards granted. Share-based compensation for equity-settled awards containing market performance conditions is measured at the grant date of the awards using the Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of our common stock, the dividend yield, interest rates and the correlation coefficient between our common stock and the relevant market index.

As a result, at the grant date management is required to make key assumptions and estimates regarding conditions that will occur in the future, which inherently involves uncertainty. Therefore, the amount of share-based compensation recognised has been effected by the significant assumptions and estimates used.

Technical Insurance Reserves and Net Insurance Premiums

Technical reinsurance reserves require estimates involving actuarial and statistical projections at a given time to reflect PartnerRe management's expectations of the costs of the ultimate settlement and administration of claims. Estimates of ultimate liabilities are contingent on many future events and the eventual outcome of these events may be different from the assumptions underlying the reserve estimates. In the event that the business environment and social trends diverge from historical trends, PartnerRe may have to adjust its loss reserves to amounts falling significantly outside its current estimate. The estimates are regularly reviewed and the ultimate liability may be in excess of, or less than, the amounts provided, for which any adjustments will be reflected in the period in which the need for an adjustment is determined. For reserves relating to the life reinsurance business, PartnerRe makes a number of critical accounting estimates regarding mortality, longevity, morbidity, lapses, surrenders and future investment income and expenses.

Net reinsurance premiums written and earned and acquisition costs involve significant estimation as in most cases cedants seek protection for business that they have not yet written at the time they enter into reinsurance agreements and have to estimate the volume of premiums they will cede to PartnerRe. Reporting delays are inherent in the reinsurance industry and vary in length by reinsurance market (country of cedant) and type of treaty. As reporting delays can vary from a few weeks to a year or sometimes longer, PartnerRe produces accounting estimates to report premiums and acquisition costs until it receives the cedants' actual results. Estimates for premiums and acquisition costs are updated continuously as new information is received from cedants. The recovery of deferred policy acquisition costs is dependent upon the future profitability of the related business. Deferred policy acquisition costs recoverability testing is performed periodically together with the reserve adequacy test, based on the latest best estimate assumptions by line of business.

Employee Benefits

The Group provides post-employment benefits for certain of its active employees and retirees, which vary according to legal, fiscal and economic conditions of each country in which the Group operates and may change periodically. The plans are classified by the Group on the basis of the type of benefit provided as follows: pension benefits, healthcare and life insurance plans and other post-employment benefits.

Group companies provide certain post-employment benefits, such as pension or healthcare benefits, to their employees under defined contribution plans, whereby the Group pays contributions to public or private plans on a legal mandatory, contractual or voluntary basis. The group recognises the cost for defined contribution plans as incurred and classifies them by function in the Consolidated Income Statement.

Pension plans – The Group sponsors both non-contributory and contributory defined benefit pension plans, primarily in the U.S. and Canada, the majority of which are funded. The Group's defined benefit plans are accounted for on an actuarial basis, which requires the use of estimates and assumptions to determine the net liability or net asset. The Group estimates the present value of the projected future payments to all participants by taking into consideration parameters of a financial nature such as discount rates, the rate of salary increases and the likelihood of potential future events estimated by using demographic assumptions, which may have an effect on the amount and timing of future payments, such as mortality, dismissal and retirement rates, which are developed to reflect actual and projected plan experience. The expected amount and timing of contributions is based on an assessment of minimum funding requirements. From time to time, contributions are made beyond those that are legally required. Plan obligations are based on existing retirement plan provisions. Assumptions regarding any potential future changes to benefit provisions beyond those to which the Group is presently committed are not made.

Significant differences in actual experience or significant changes in the discount rate may affect the pension obligations and pension expense. For details of discount rates and other assumptions used, see Note 24 "*Provisions for employee benefits*". The effects of actual results differing from assumptions and of amended assumptions are included in Other comprehensive income/(loss).

Other post-employment benefits – The Group provides certain post-employment defined benefits, mainly healthcare plans. The method of accounting is similar to those used for defined benefit pension plans.

Warranties and Recall Campaigns

The Group establishes reserves for product warranties at the time the related sale is recognised. The Group issues various types of product warranties under which the performance of products delivered is generally guaranteed for a certain period or term.

The reserve for product warranties includes the expected costs of warranty obligations imposed by law or contract, as well as the expected costs for policy coverage, recall actions and buyback commitments. The estimated future costs of these actions are principally based on assumptions regarding the lifetime warranty costs of each vehicle line and each model year of that vehicle line, as well as historical claims experience for the Group's vehicles. In addition, the number and magnitude of additional service actions expected to be approved and policies related to additional service actions are taken into consideration. Due to the uncertainty and potential volatility of these estimated factors, changes in assumptions used could materially affect the results of operations.

In addition, the Group makes provisions for estimated product liability costs arising from property damage and personal injuries including wrongful death, and potential exemplary or punitive damages alleged to be the result of product defects. By nature, these costs can be infrequent, difficult to predict and have the potential to vary significantly in amount. The valuation of the reserve is actuarially determined on an annual basis, based on, among other factors, the number of vehicles sold and product liability claims incurred. Costs associated with these provisions are recorded in the Consolidated Income Statement and any subsequent adjustments are recorded in the period in which the adjustment is determined.

3 Scope of consolidation

The consolidated financial statements include the companies over which EXOR exercises control, and from which, directly or indirectly, EXOR is able to derive benefit by virtue of its power to govern their corporate financial and operating policies. The companies/groups included in the scope of consolidation at 31 December 2018 are the following:

Company/Group	Country	Ownership	
		Group	Non-controlling interest
Operating subsidiaries / Segment entities			
FCA	The Netherlands	28.98%	71.02%
CNH Industrial	The Netherlands	27.10%	72.90%
Ferrari	The Netherlands	23.65%	76.35%
PartnerRe	Bermuda	100%	-
Juventus	Italy	63.77%	36.23%
Other EXOR entities			
EXOR S.A.	Luxembourg	100%	-
Exor SN LLC	USA	100%	-
Exor Nederland N.V.	The Netherlands	100%	-
Exor Investments Limited Ltd.	United Kingdom	100%	-
Exor Investments (UK) LLP	United Kingdom	99.67%	0.33%
Ancom USA Inc.	USA	100%	-

At 31 December 2018 the EXOR Group includes more than 500 subsidiaries consolidated line-by-line by the FCA, CNH Industrial, Ferrari and PartnerRe Groups.

Changes in the Scope of Consolidation

2018

Assets Held For Sale and Discontinued Operations

On 22 October 2018, FCA announced that it had entered into a definitive agreement to sell its Magneti Marelli components business to CK Holdings, Ltd. Subject to regulatory approvals and other customary closing conditions, the transaction is expected to close in the second quarter of 2019.

The presentation of the Magneti Marelli business is as follows:

- The operating results of Magneti Marelli have been excluded from the Group's continuing operations and are presented net of tax as a single line item within the consolidated income statement for the years ended 31 December 2018 and 2017. In order to present the financial effects of a discontinued operation, revenues and expenses arising from intercompany transactions were eliminated except for those revenues and expenses that are considered to continue after the disposal of the discontinued operation. However, no profit or loss is recognised for intercompany transactions within the Consolidated Income Statement;
- The assets and liabilities of Magneti Marelli have been classified as Assets held for sale and Liabilities held for sale within the consolidated statement of financial position at 31 December 2018, while the assets and liabilities of Magneti Marelli have not been reclassified for the comparative consolidated statement of financial position at 31 December 2017;
- Cash flows arising from Magneti Marelli have been presented separately as discontinued cash flows from operating, investing and financing activities within the consolidated statement of cash flows for the years ended 31 December 2018 and 2017. These cash flows represent those arising from transactions with third parties.
- In accordance with IFRS 5, depreciation and amortisation on the assets of Magneti Marelli ceased as at 30 September 2018. The impact of ceasing depreciation of the property, plant and equipment and amortisation of the intangible assets of Magneti Marelli was €96 million, net of tax of €20 million.

The following table represents the assets and liabilities of the Magneti Marelli business which were classified as held for sale at 31 December 2018:

(€ million)	**At 31 December 2018(1)**
Assets classified as held for sale	
Intangible assets	717
Property, plant and equipment	1,793
Trade receivables	545
Other	1,741
Total Assets held for sale	**4,796**
Liabilities classified as held for sale	
Provisions	210
Trade payables	1,788
Debt and Other	933
Total Liabilities held for sale	**2,931**

(1) Amounts presented are not representative of the consolidated financial statements of Magneti Marelli on a stand-alone basis; amounts are net of transactions between Magneti Marelli and other companies of the Group. At 31 December 2018, assets held for sale in the statement of financial position also includes €7 million relating to other entities and €6 million as liabilities held for sale

The following table summarises the operating results of Magneti Marelli that were excluded from the consolidated income statements for the years ended 31 December 2018 and 2017:

(€ million)	Years ended 31 December[1]	
	2018	**2017**
Net revenues	4,998	5,204
Expenses	(4,493)	(4,798)
Net financial expenses/(income)	(85)	(124)
Profit before taxes from discontinued operations	**420**	**282**
Tax expense	(118)	(63)
Profit from discontinued operations, net of tax	**302**	**219**

(1) Amounts presented are not representative of the consolidated financial statements of Magneti Marelli on a stand-alone basis; amounts are net of transactions between Magneti Marelli and other companies of the Group.

2017

Deconsolidation of Venezuela subsidiaries

During 2017, in consideration of the restrictive monetary policy in Venezuela together with the inability to pay dividends and the U.S. Dollar obligations, as well as the deteriorating economic conditions, which constrained the ability to maintain normal production in Venezuela, FCA and CNH Industrial concluded that they were no longer able to exert control over their Venezuelan operations in order to affect returns. As such, in accordance with IFRS 10 – *Consolidated Financial Statements*, at 31 December 2017 the Venezuelan operations were deconsolidated, in particular: i) FCA deconsolidated the subsidiary FCA Venezuela LLC ("FCA Venezuela") and ii) CNH Industrial deconsolidated its Venezuelan operations. This resulted in a pre-tax, non-cash charge of €86 million recorded within Selling, general and administrative expenses in the consolidated income statement for the year ended 31 December 2017.

Upon deconsolidation, FCA's and CNH Industrial's investments in Venezuela have been recognised at fair value, which was nil at 31 December 2017 and had been accounted for at cost in subsequent periods.

4 Segment reporting

Reportable segments reflect the operating segments of the Group that are regularly reviewed by the Chief Executive Officer, who is the "chief operating decision maker", as defined under IFRS 8 – Operating Segments, for making strategic decisions and allocating resources and assessing performance, and that exceed the quantitative threshold provided in IFRS 8 – *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 its principal investments, each of which represents an investment in a major business segment: FCA, CNH Industrial, Ferrari, PartnerRe, and Juventus. The column "Minor, eliminations and adjustments" includes unallocated income and expenses, share of profit in equity investments of EXOR N.V., expenses related to corporate activities and finance income and expense of EXOR N.V. and other EXOR entities which are not included within the reportable segments.

The following tables summarise selected financial information by reporting segment for the years ended 31 December 2018 and 2017. Data presented are prepared by each subsidiary for the EXOR consolidation process and may differ from data published by each subsidiary in its financial report.

(€ million)	FCA	CNH Industrial	Ferrari	PartnerRe	Juventus	Minor, eliminations and adjustments	Consolidated
2018							
Segment revenues	110,412	25,179	3,420	4,694	544	(955)	143,294
Revenues from transactions with other operating segments	(379)	(338)	(222)	-	(22)	961	-
Revenues from external customers	110,033	24,841	3,198	4,694	522	6	**143,294**
Profit (loss) for the year	3,632	1,185	787	(75)	(55)	(58)	**5,416**
Of which discontinued operations	*302*	*-*	*-*	*-*	*-*	*-*	***302***
Profit (loss) attributable to owners of the parent (EXOR share)	1,046	314	186	(105)	(35)	(59)	**1,347**
Total assets	97,692	42,489	4,852	20,556	925	(239)	**166,275**
Gross debt	14,735	21,529	1,939	1,328	424	3,621	**43,576**
Cash and cash equivalents	12,450	5,068	794	766	36	22	**19,136**
Total equity	24,903	6,525	1,354	6,355	80	(2,772)	**36,445**
Issued capital and reserves attributable to owners of the parent (EXOR share)	7,154	1,722	342	5,719	51	(2,778)	**12,210**
2017							
Segment revenues	105,730	24,739	3,417	5,016	540	(1,216)	138,226
Revenues from transactions with other operating segments	(547)	(329)	(321)	-	(19)	1,216	-
Revenues from external customers	105,183	24,410	3,096	5,016	521	-	**138,226**
Profit (loss) for the year	3,510	422	537	199	14	(36)	**4,646**
Of which discontinued operations	*219*	*-*	*-*	*-*	*-*	*-*	***219***
Profit (loss) attributable to owners of the parent (EXOR share)	1,018	110	126	168	9	(39)	**1,392**
Total assets	96,994	42,332	4,141	19,796	820	(308)	**163,775**
Gross debt	18,109	21,773	1,809	1,272	356	3,377	**46,696**
Cash and cash equivalents	12,638	5,169	648	1,478	72	23	**20,028**
Total equity	20,987	5,708	784	6,255	137	(2,685)	**31,186**
Issued capital and reserves attributable to owners of the parent (EXOR share)	6,077	1,454	206	5,639	88	(2,659)	**10,805**

Gross debt is defined as financial debt and other financial liabilities.

Information by geographical area

The following tables present an analysis of the net revenues of the Group by country, irrespective of the origin of the goods and services for the years ended 31 December 2018 and 2017:

	Years ended 31 December	
(€ million)	2018	2017
North America	81,187	74,788
Italy	11,987	11,311
Brazil	8,241	7,525
France	5,881	6,119
Germany	4,863	4,767
China	3,040	4,052
Other countries	28,095	29,664
Total net revenues	**143,294**	**138,226**

Other countries includes net revenues generated by The Netherlands for the year ended 31 December 2018 amounting to €634 million (€723 million for the year ended 31 December 2017).

The following table presents an analysis of non-current assets of the Group at 31 December 2018 and 2017 by country:

	At 31 December	
(€ million)	2018	2017
North America	38,238	37,011
Italy	16,899	17,391
Brazil	4,472	5,556
France	1,137	1,258
Bermuda	1,113	1,081
Poland	1,090	1,337
China	717	1,067
Other countries	8,029	9,144
Total non-current assets	**71,695**	**73,845**

Other countries includes non-current assets related to The Netherlands of €95 million at 31 December 2018 (€102 million at 31 December 2017).

5 Net revenues

Net revenues for the years ended 31 December 2018 and 2017 are as follows:

	Years ended 31 December	
(€ million)	2018	2017
Sales of goods	130,494	126,227
Net premium earned of insurance and reinsurance companies	4,669	4,449
Services provided	4,645	2,979
Lease installments from assets under operating leases and buy-backs	789	1,017
Contract revenues	949	936
Interest income of financial services activities	919	890
Investment income and net realised and unrealised investments gains of insurance and reinsurance companies	25	567
Other	804	1,161
Total net revenues	**143,294**	**138,226**

6 Cost of revenues

Cost of revenues for the years ended 31 December 2018 and 2017 are as follows:

	Years ended 31 December	
(€ million)	2018	2017
Cost of goods	116,229	110,516
Losses and loss expenses	3,551	3,401
Reinsurance acquisition costs	1,024	867
Interest cost and other financial expenses from financial services companies	479	513
Total cost of revenues	**121,283**	**115,297**

7 Research and development costs

Research and development costs for the years ended 31 December 2018 and 2017 are as follows:

	Years ended 31 December	
(€ million)	2018	2017
Research and development costs expensed	2,475	2,581
Amortisation of capitalised development costs	1,999	1,835
Impairment and write-off of costs previously capitalised	163	119
Total research and development costs	**4,637**	**4,535**

Impairment and write-offs of capitalised development costs mainly referred to the FCA Group. In 2018 this primarily relates to changes in product plans in connection with their 2018-2022 business plan, mainly in EMEA, while in 2017 it primarily related to the global product portfolio changes in EMEA and changes in the LATAM product portfolio.

Refer to Note 13, "*Intangible assets*", for information on capitalised development costs.

8 Other income, net

Other income, net in 2018 mainly includes €446 million relating to the modification of a healthcare plan following a judgement in favour of CNH Industrial issued by the United States Supreme Court in April 2018, as further described in Note 24, "*Provisions for employee benefits*", while in 2017 it mainly related to the reversal of a liability for Brazilian indirect taxes of FCA.

This item also includes restructuring costs of €156 million in 2018 (€176 million in 2017) including (i) €53 million for CNH Industrial (€80 million in 2017) related to actions as part of the efficiency program and (ii) €131 million for FCA Group primarily related to costs incurred in EMEA, partially offset by the reversal of €28 million of previously recorded restructuring costs in LATAM (€95 million of costs in 2017).

9 Net financial expenses

Net financial expenses for the years ended 31 December 2018 and 2017 are as follows:

	Years ended 31 December	
(€ million)	**2018**	**2017**
Financial Income:		
Interest and other financial income	316	293
Financial services income	919	875
Gains on disposal of securities	4	121
Total financial income	**1,239**	**1,289**
Related to:		
Industrial companies (A)	*320*	*414*
Financial services companies (reported within net revenues)	*919*	*875*
Financial Expenses:		
Interest expenses on bonds	(952)	(1,233)
Interest expenses from banks	(358)	(436)
Other interest and financial expenses	(481)	(452)
Writedowns and losses on financial assets and securities	(41)	(124)
Net interest expenses on employee benefits provisions	(303)	(347)
Total interest and other financial expenses	**(2,135)**	**(2,592)**
Net expenses from derivative financial instruments and exchange rate differences	**(234)**	**(379)**
Total financial expenses	**(2,369)**	**(2,971)**
Related to:		
Industrial companies (B)	*(1,890)*	*(2,458)*
Financial services companies (reported within cost of sales)	*(479)*	*(513)*
Net financial expenses relating to industrial companies (A+B)	**(1,570)**	**(2,044)**

10 Tax expense

Tax expense for the years ended 31 December 2018 and 2017 is as follows:

	Years ended 31 December	
(€ million)	**2018**	**2017**
Current tax expense	1,038	1,411
Deferred tax expense	838	1,669
Italian Exit tax	-	(22)
Tax (benefit) expense relating to prior periods	(636)	(4)
Total tax expense	**1,240**	**3,054**

Net tax benefit relating to prior periods of €636 million includes €334 million relating to FCA mainly related to tax benefits for U.S. provision to return adjustments, partially offset by net tax expense for the impact of uncertain tax positions and other prior years' tax positions. The net tax benefit relating to prior periods also includes €141 million relating to Ferrari due to the Patent Box tax benefit for the years 2015 – 2017. In September 2018, Ferrari signed an agreement with the Italian Revenue Agency in relation to the Patent Box tax regime, which provides tax benefits for companies that generate income through the use, both direct and indirect, of copyrights, patents, trademarks, designs and know-how. The agreement relates to the five-year period from 2015 to 2019. Ferrari applied the Patent Box tax regime for the calculation of income taxes starting in the third quarter of 2018.

The reconciliation between the income tax expenses recognised in the consolidated financial statements and the theoretical income tax expense, calculated on the basis of the theoretical tax rate in effect in The Netherlands, is as follows:

	Years ended 31 December	
(€ million)	**2018**	**2017**
Theoretical tax expense	1,588	1,881
Tax effect on:		
Recognition and utilisation of previously unrecognised deferred tax assets	(39)	(402)
Permanent differences	(758)	(793)
Deferred tax assets not recognised and writedowns	700	1,428
Differences between foreign tax rates and the theoretical tax rate and tax holidays	231	896
Taxes relating to prior years	(461)	(26)
Other differences	(92)	19
Total tax expense, excluding IRAP	**1,169**	**3,003**
Effective tax rate	*18.0%*	*40.1%*
IRAP (current and deferred)	71	**51**
Total tax expense	**1,240**	**3,054**

The applicable tax rate used to determine the theoretical income taxes was 25 percent in 2018 and 2017, which is the tax rate applicable in The Netherlands.

The change in the effective tax rate from 40.1 percent in 2017 to 18.0 percent in 2018 was mainly due to (i) a tax expense recorded in 2017 as a result of the decrease in recognised deferred tax assets in Brazil; (ii) net tax benefits recognised in 2018 for impacts of the Tax Act; (iii) net tax benefits recognised for prior years' tax positions finalised in 2018 and (iv) the positive impact of the Patent Box regime (as described above) including the benefit relating to the years 2015 to 2017 which was recognised in 2018; partially offset by (v) tax impacts from the recognition of a provision for costs related to final settlements reached on civil, environmental and consumer claims related to U.S. diesel emissions matters.

Deferred tax assets and deferred tax liabilities recognised at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Deferred tax assets	2,697	2,928
Deferred tax liabilities	(1,290)	(596)
Total	**1,407**	**2,332**

The decrease in Net deferred tax assets at 31 December 2018 from 31 December 2017 was mainly due to FCA Group and in particular (i) a €481 million decrease in NAFTA related to provisions, acceleration of tax depreciation and amortisation on capital expenditures and utilisation of U.S. tax credit carryforwards; (ii) a €142 million decrease in Net deferred tax assets recognised in Equity, primarily related to employee benefits and foreign currency translation; (iii) a €28 million decrease in Net deferred tax assets for balances transferred to Held for Sale; and (iv) €39 million for reductions to other net deferred tax assets. The decrease in Net deferred tax assets was also attributable to the CNH Industrial Group, mainly due to currency impacts, as well as a charge recognised in the income statement for the net utilisation of deferred tax assets, largely driven by the Benefits Modification gain.

The decrease in Net deferred tax assets at 31 December 2017 from 31 December 2016 was mainly due to FCA Group and in particular (i) a €1,268 million decrease related to the utilisation 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 2017 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.

Deferred tax assets and liabilities and their changes during the years ended 31 December 2018 and 2017 are as follows:

(€ million)	At 31 December 2017	Recognised in income statement	Recognised in Other comprehensive income	Transferred to Assets / (Liabilities) held for sale	Translation differences and other changes	At 31 December 2018
Deferred tax assets arising from:						
Provisions	4,738	206	-	(55)	149	5,038
Provision for employee benefits	2,185	(390)	(110)	(31)	49	1,703
Intangible assets	185	(24)	-	(2)	(40)	119
Inventories	484	63	-	(13)	(33)	501
Allowances for doubtful accounts	281	(9)	-	(24)	(2)	246
Impairment of financial assets	232	(18)	-	(7)	25	232
Other	838	130	12	(77)	328	1,231
Total deferred tax assets	**8,943**	**(42)**	**(98)**	**(209)**	**476**	**9,070**
Deferred tax liabilities arising from:						
Accelerated depreciation	(2,248)	(441)	-	29	(68)	(2,728)
Capitalisation of development costs	(2,483)	(144)	-	81	(309)	(2,855)
Other intangible assets and intangible assets with indefinite useful lives	(925)	(17)	-	2	(48)	(988)
Provision for employee benefits	(77)	(2)	(1)	3	(38)	(115)
Other	(590)	(147)	3	86	(114)	(762)
Total deferred tax liabilities	**(6,323)**	**(751)**	**2**	**201**	**(577)**	**(7,448)**
Deferred tax assets arising on tax loss carry-forwards	5,531	741	-	(328)	(160)	5,807
Unrecognised deferred tax assets	(5,819)	(688)	(11)	308	211	(6,022)
Total Net deferred tax assets	**2,332**	**(740)**	**(107)**	**(28)**	**(50)**	**1,407**

(€ million)	At 31 December 2016	Recognised in income statement	Recognised in Other comprehensive income	Translation differences and other changes	At 31 December 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
Total deferred tax assets	**12,765**	**(2,182)**	**(107)**	**(1,533)**	**8,943**
Deferred tax liabilities arising from:					
Accelerated depreciation	(3,378)	622	-	508	(2,248)
Capitalisation 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)
Total deferred tax liabilities	**(9,081)**	**1,464**	**(11)**	**1,305**	**(6,323)**
Deferred tax assets arising on tax loss carry-forwards	5,366	374	-	(209)	5,531
Unrecognised deferred tax assets	(4,785)	(1,322)	10	278	(5,819)
Total Net deferred tax assets	**4,265**	**(1,666)**	**(108)**	**(159)**	**2,332**

At 31 December 2018 and 2017 the Group had the following recognised and unrecognised deferred tax assets:

	Deferred tax assets relating to			
(€ million)	Deductible temporary differences	of which not recognised	Tax loss carry forward	of which not recognised
At 31 December 2018	**9,069**	**1,353**	**5,807**	**4,669**
At 31 December 2017	8,943	1,436	5,531	4,383

At 31 December 2018 net deferred tax assets include the amount of €1,138 million (€1,148 million at 31 December 2017) in respect of benefits on unused tax loss carryforwards.

At 31 December 2018 and 2017 the FCA Group had tax loss carry forwards which can be carried forward indefinitely as follows:

	FCA Group Net Deferred Tax Assets					
(€ million)	Net Deferred Tax Assets Italy	of which recognised	of which not recognised	Net Deferred Tax Assets Brazil	of which recognised	of which not recognised
At 31 December 2018	**3,370**	884	2,486	**1,532**	133	1,399
At 31 December 2017	**3,256**	898	2,358	**1,287**	148	1,139

Deferred tax liabilities have not been recognised on the undistributed earnings of subsidiaries except where it is probable the distribution will occur in the foreseeable future.

Total deductible and taxable temporary differences and accumulated tax losses at 31 December 2018, together with the amounts for which deferred tax assets have not been recognised, analysed by year of expiration, are as follows:

		Year of expiration					
(€ million)	**At 31 December 2018**	**2019**	**2020**	**2021**	**2022**	**Beyond 2022**	**Unlimited / Indeterminable**
Deductible temporary differences	**47,599**	8,665	5,189	4,983	5,819	21,665	1,278
Taxable temporary differences	**(40,170)**	(4,330)	(4,347)	(4,279)	(4,376)	(19,361)	(3,477)
Tax losses	**27,628**	406	232	291	583	3,358	22,758
Temporary differences and tax losses for which deferred tax assets have not been recognised	**(28,487)**	(803)	(445)	(638)	(896)	(5,152)	(20,553)
Net temporary differences and tax losses	**6,570**	**3,938**	**629**	**357**	**1,130**	**510**	**6**

11 Other information by nature

In 2018 personnel costs for the Group continuing operation amounted to €15,718 million (€15,979 million in 2017). These amounts include costs that were capitalised mainly in connection with product development activities.

In 2018 the Group continuing operations had an average number of employees of 272,170 (265,017 in 2017).

12 Earnings per share

The following table summarises the composition of earnings per share:

		Years ended 31 December	
		2018	**2017**
Average number of ordinary shares outstanding		**235,166,050**	**234,669,772**
Profit attributable to owners of the parent	**€ million**	**1,347**	**1,392**
basic earnings per share	**€**	5.73	5.93
diluted earnings per share	**€**	5.67	5.87
Profit from continuing operations attributable to owners of the parent	**€ million**	**1,264**	**1,331**
basic earnings per share	**€**	5.38	5.67
diluted earnings per share	**€**	5.31	5.61
Profit from discontinued operations attributable to owners of the parent	**€ million**	**83**	**61**
basic earnings per share	**€**	0.35	0.26
diluted earnings per share	**€**	0.29	0.20

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.

13 Intangible assets

Changes in 2018 are the following:

(€ million)	Goodwill	Intangible assets with an indefinite useful life	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses externally acquired	Other intangible assets externally acquired	Players' registration rights	Total
Balance at 31 December 2017								
Original cost	14,794	3,525	14,256	12,751	4,540	2,797	566	**53,229**
Accumulated amortisation and impairment	(962)	(116)	(7,244)	(7,593)	(2,882)	(1,681)	(228)	**(20,706)**
Net carrying amount	**13,832**	**3,409**	**7,012**	**5,158**	**1,658**	**1,116**	**338**	**32,523**
Changes during the year (original cost)								
Additions	-	-	2,381	557	655	210	324	**4,127**
Disposals	-	-	(514)	(127)	(223)	(91)	(141)	**(1,096)**
Transfer to assets held for sale	(96)	-	(630)	(924)	(132)	(130)	-	**(1,912)**
Translation differences and other changes	664	165	5,041	(4,792)	162	4	-	**1,244**
Total	**568**	**165**	**6,278**	**(5,286)**	**462**	**(7)**	**183**	**2,363**
Changes during the year (accumulated amortisation and impairment)								
Amortisation	-	-	(1,588)	(482)	(427)	(154)	(132)	**(2,783)**
Impairment losses	-	-	(137)	(16)	(2)	-	(1)	**(156)**
Disposals	-	-	512	103	30	89	88	**822**
Transfer to assets held for sale	33	-	443	530	98	90	-	**1,194**
Translation differences and other changes	(56)	(3)	(2,738)	2,693	(97)	6	-	**(195)**
Total	**(23)**	**(3)**	**(3,508)**	**2,828**	**(398)**	**31**	**(45)**	**(1,118)**
Balance at 31 December 2018								
Original cost	15,362	3,690	20,534	7,465	5,002	2,790	749	**55,592**
Accumulated amortisation and impairment	(985)	(119)	(10,752)	(4,765)	(3,280)	(1,650)	(273)	**(21,824)**
Net carrying amount	**14,377**	**3,571**	**9,782**	**2,700**	**1,722**	**1,140**	**476**	**33,768**

Changes in 2017 were the following:

(€ million)	Goodwill	Intangible assets with an indefinite useful life	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses externally acquired	Other intangible assets externally acquired	Players' registration rights	Total
Balance at 31 December 2016								
Original cost	16,676	3,995	13,277	12,341	4,544	2,891	470	**54,194**
Accumulated amortisation and impairment	(1,085)	(123)	(6,775)	(6,908)	(2,679)	(1,553)	(200)	**(19,323)**
Net carrying amount	**15,591**	**3,872**	**6,502**	**5,433**	**1,865**	**1,338**	**270**	**34,871**
Changes during the year (original cost)								
Additions	-	207	2,264	865	373	149	197	**4,055**
Disposals	(23)	-	(289)	(111)	(48)	(17)	(47)	**(535)**
Scope of consolidation	(4)	-	-	-	2	65	-	**63**
Translation differences and other changes	(1,855)	(677)	(996)	(344)	(331)	(291)	(54)	**(4,548)**
Total	**(1,882)**	**(470)**	**979**	**410**	**(4)**	**(94)**	**96**	**(965)**
Changes during the year (accumulated amortisation and impairment)								
Amortisation	-	-	(1,022)	(943)	(419)	(288)	(42)	**(2,714)**
Impairment losses	-	-	(52)	(74)	-	(1)	(1)	**(128)**
Disposals	22	-	290	99	42	12	15	**480**
Scope of consolidation	1	-	-	-	-	2	-	**3**
Translation differences and other changes	100	7	315	233	174	147	-	**976**
Total	**123**	**7**	**(469)**	**(685)**	**(203)**	**(128)**	**(28)**	**(1,383)**
Balance at 31 December 2017								
Original cost	14,794	3,525	14,256	12,751	4,540	2,797	566	**53,229**
Accumulated amortisation and impairment	(962)	(116)	(7,244)	(7,593)	(2,882)	(1,681)	(228)	**(20,706)**
Net carrying amount	**13,832**	**3,409**	**7,012**	**5,158**	**1,658**	**1,116**	**338**	**32,523**

Capitalised development costs mainly relate to the FCA Group and include both internal and external costs that are directly attributable to the internal product development process, primarily consisting of material costs and personnel related expenses relating to engineering, design and development, focused on content enhancement of existing vehicles, new models and powertrain programs. For an explanation of impairment losses, see Note 7, *"Research and development costs"*.

Amortisation of internally and externally generated intangible assets is recognised within Research and development costs within the consolidated income statement, as described in Note 7, *"Research and development costs"*. Amortisation of Patents, concessions, licenses and credits and Other intangibles are recognised within Cost of revenues and Selling, general and administrative expenses.

At 31 December 2018 and 2017 the FCA Group had contractual commitments for the purchase of intangible assets amounting to €215 million and €601 million, respectively.

Goodwill

The analysis of goodwill by segment is as follows:

	At 31 December	
(€ million)	2018	2017
NAFTA	*8,855*	*8,453*
APAC	*1,152*	*1,099*
LATAM	*552*	*529*
EMEA	*264*	*253*
Other activities	*11*	*62*
FCA Group	**10,834**	**10,396**
Agricultural Equipment	*1,478*	*1,418*
Construction Equipment	*504*	*485*
Commercial Vehicles	*54*	*53*
Powertrain	*4*	*2*
Financial Services	*112*	*109*
CNH Industrial Group	**2,152**	**2,067**
Ferrari Group	**786**	**786**
PartnerRe Group	**572**	**550**
Other	**33**	**33**
Total goodwill	**14,377**	**13,832**

Impairment Testing

The impairment tests are performed by comparing the carrying amount (which mainly comprises property, plant and equipment, goodwill, brands and capitalised development expenditures) 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 assumptions used in the impairment test represent management's best estimate for the period under consideration and reflect a number of underlying assumptions (for example volumes and sales mix, gross margins, operating costs, income tax rates, capital expenditures and changes in working capital requirements) that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends over the period considered. Expected cash flows used for the purposes of the impairment tests reflect the current expectations regarding economic conditions and market trends as well as the Group's initiatives for the specific business plan periods. Cash flows reflect the CGU's in their condition when preparing the financial statements and exclude the estimated cashflows that might arise from restructuring plans or other structural changes.

Expected future cash flows include a normalised terminal period to estimate the future result beyond the time period explicitly considered in the business plans of the respective Group companies. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity.

Post-tax cash flows are discounted using a post-tax discount rate (WACC) which reflects the current market assessment of the time value of money for the period being considered and the risks specific to the and the risks specific to the CGU under consideration.

As well as determining the recoverable amount using the income approach, as described above, certain of the Group companies perform additional analysis using a market approach based on multiples of comparable publicly traded companies, such as revenue and EBITDA multiples, and for financial services CGUs, book value, tangible book value and interest margin multiples, and by comparing to market capitalisation. Although it is clear no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same, or a similar, line of business or be subject to similar financial and business risks, including the opportunity for growth.

FCA Impairment Testing

The balance of Goodwill recognised by the FCA Group primarily relates to the acquisition of FCA US., which has been allocated between FCA's 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 FCA's operating segments was determined using fair value less costs of disposal for the year ended 31 December 2018 and was based on the following assumptions:

- The expected future cash flows covering the period from 2019 through 2022, reflecting the current expectations regarding economic conditions and market trends as well as the FCA Group's initiatives for the period 2019 to 2022. These cash flows relate to the respective reporting segments in their current condition when preparing the financial statements and exclude the estimated cash flows that might arise from restructuring plans or other structural changes. Volumes and sales mix used for estimating the future cash flow are based on assumptions that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends and segment, brand and model share for the respective operating segment over the period considered. With regards to:
    - The APAC operating segment, expected future cash flows are sensitive to certain assumptions, primarily the expected margins for the terminal period, such that a reduction of 0.7 percent in the margin for the terminal period would reduce the fair value down to its carrying value. While the assumptions used are considered reasonable and achievable and represent the best estimate of expected conditions in the operating segment, management is actively implementing measures to improve operating results by addressing commercial performance and cost structure to allow the achievement of the expected margins and cash flow in APAC.
    - The LATAM operating segment, expected future cash flows also include the extension of tax benefits though 2025 and other government grants, which were signed into law in Brazil during the fourth quarter of 2018.

- The expected future cash flows include a normalized terminal period to estimate the future result beyond the time period explicitly considered which incorporates a long-term growth rate assumption of 2 percent. The long-term EBIT margins have been set considering the margins incorporated into the five-years plan, as adjusted for the stage in the economic cycle of the regions and any specific circumstances (for example, in LATAM, the long-term EBIT margin has been adjusted to assume no extension of the Brazilian tax benefits beyond 2025).

- Post-tax cash flows have been discounted using a post-tax discount rate which reflects the current market assessment of the time value of money for the period being considered and the risks specific to the reporting segment and cash flows under consideration. The Weighted Average Cost of Capital ("WACC") ranged from approximately 13.7 percent to approximately 21.7 percent. The WACC was calculated using the Capital Asset Pricing Model technique.

The values estimated as described above were determined to be in excess of the book value.

CNH Industrial Impairment Testing

CNH Industrial determines the recoverable amount of 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.

The following discount rates before taxes as of 31 December 2018 and 2017 were selected:

	2018	2017
Agricultural Equipment	12.3%	9.6%
Construction Equipment	13.7%	11.0%
Financial Services	19.6%	18.4%

Expected cash flows used under the income approach are developed in conjunction with CNH Industrial budgeting and forecasting processes. CNH Industrial uses nine years of expected cash flows for the Agricultural Equipment, and eight years of expected cash flows for the Construction Equipment cash-generating units and four years of expected cash flows for the Financial Services cash-generating unit as management believes that these periods generally reflect the underlying market cycles for its businesses. Under the market approach, CNH Industrial estimates the recoverable amount of the Agricultural Equipment and Construction Equipment cash-generating units using revenue and EBITDA multiples and estimates the recoverable amount of the Financial Services cash-generating unit using book value, tangible book value and interest margin multiples. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics as the respective cash-generating units. The guideline company method makes use of market price data of corporations whose stock is actively traded in a public, free and open market, either on an exchange or over-the counter basis. Although it is clear no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same, or a similar, line of business or be subject to similar financial and business risks, including the opportunity for growth.

A terminal value is included at the end of the projection period used in the discounted cash flow analysis in order to reflect the remaining value that each cash-generating unit is expected to generate. The terminal value represents the present value in the last year of the projection period of all subsequent cash flows into perpetuity. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity. The terminal value growth rate for the Agricultural Equipment cash-generating unit was 1.0% in 2018 and 2017, and for Construction Equipment was 3.0% in 2018 and 2017. The terminal value growth rate for Financial Services was 1.5% in 2018 and 2017.

As of 31 December 2018, the estimated recoverable amount of each cash-generating unit with goodwill exceeded the carrying value by more than 15%.

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.

PartnerRe Impairment Testing

PartnerRe is treated as a single cash generating unit. The recoverable value is based on fair value, using the weighted average of industry accepted valuation methods including price to earnings and price to tangible book value multiples of comparable companies as well as discounted cash flow projections. In the discounted cash flow projection the premium growth was assumed to be 3% for the year ended 31 December 2018 (2017: 3%). The average discount rate applied was 6% in 2018 (2017: 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.

No impairment losses were identified by the Group for the years ended 31 December 2018 and 2017.

A brief summary of the impairment test assumptions is provided below.

(€ million)	FCA	CNH Industrial	Ferrari	PartnerRe
Business plan period	4 years	4 - 9 years	5 years	5 years
Growth rate	2%	1% - 3%	2%	3%
WACC	13.7%-21.7%	12.3%-19.6%	7%	6%

Other intangible assets with indefinite useful lives

Other intangible assets with indefinite useful lives amounting to €3,571 million at 31 December2018 (€3,409 million at 31 December 2017) mainly includes brands of the FCA Group and in particular the Chrysler, Jeep, Dodge, Ram and Mopar brands relating to the acquisition of FCA US. These rights are protected legally through registration with government agencies and through the continuous use in commerce.

The indefinite-lived intangible assets have no legal, contractual, competitive or economic terms that limit their useful lives, and are therefore not amortised, but are instead tested annually for impairment.

14 Property, plant and equipment

Property, plant and equipment and their changes during the years ended 31 December 2018 are as follows:

(€ million)	Land	Industrial buildings	Plant, machinery and equipment	Assets sold with a buy-back commitment	Other tangible assets	Advances and tangible assets in progress	Total
Balance at 31 December 2017							
Original cost	1,154	11,642	60,273	3,007	5,724	2,954	**84,754**
Accumulated depreciation and impairment	(40)	(4,970)	(39,098)	(675)	(2,824)	(17)	**(47,624)**
Net carrying amount	**1,114**	**6,672**	**21,175**	**2,332**	**2,900**	**2,937**	**37,130**
Changes during the year (original cost)							
Additions	8	226	2,218	513	758	1,159	**4,882**
Disposals	(11)	(27)	(922)	(573)	(57)	(6)	**(1,596)**
Transfer to assets held for sale	(21)	(401)	(3,871)	-	(294)	(299)	**(4,886)**
Scope of consolidation	2	-	(59)	-	(1)	(1)	**(59)**
Translation differences	(11)	(74)	83	(9)	101	47	**137**
Other changes	-	150	1,768	(153)	(605)	(1,945)	**(785)**
Total	**(33)**	**(126)**	**(783)**	**(222)**	**(98)**	**(1,045)**	**(2,307)**
Changes during the year (accumulated depreciation and impairment)							
Depreciation	-	(389)	(3,823)	(321)	(543)	-	**(5,076)**
Impairment losses	-	(1)	(140)	(63)	-	(4)	**(208)**
Disposals	5	8	898	195	50	-	**1,156**
Transfer to assets held for sale	-	204	2,663	-	222		**3,091**
Scope of consolidation	-	-	37	-	2	2	**39**
Translation differences	-	8	(77)	2	(35)	-	**(102)**
Other changes	-	18	32	77	223	6	**356**
Total	**5**	**(152)**	**(410)**	**(110)**	**(81)**	**4**	**(744)**
Balance at 31 December 2018							
Original cost	1,121	11,516	59,490	2,785	5,626	1,909	**82,447**
Accumulated depreciation and impairment	(35)	(5,122)	(39,508)	(785)	(2,905)	(13)	**(48,368)**
Net carrying amount	**1,086**	**6,394**	**19,982**	**2,000**	**2,721**	**1,896**	**34,079**
of which leased under finance leases	*5*	*216*	*125*	*-*	*1,555*	*-*	***1,901***

Changes in 2017 were the following:

(€ million)	Land	Industrial buildings	Plant, machinery and equipment	Assets sold with a buy-back commitment	Other tangible assets	Advances and tangible assets in progress	Total
Balance at 31 December 2016							
Original cost	1,229	12,085	59,757	2,689	6,252	3,866	**85,878**
Accumulated depreciation and impairment	(44)	(4,824)	(38,613)	(564)	(2,782)	(17)	**(46,844)**
Net carrying amount	**1,185**	**7,261**	**21,144**	**2,125**	**3,470**	**3,849**	**39,034**
Changes during the year (original cost)							
Additions	21	293	4,079	934	839	1,594	**7,760**
Disposals	(12)	(78)	(1,443)	(179)	(109)	(5)	**(1,826)**
Scope of consolidation	(3)	(100)	(630)	-	(56)	(6)	**(795)**
Translation differences	(81)	(771)	(3,412)	(2)	(554)	(330)	**(5,150)**
Other changes	-	213	1,922	(435)	(648)	(2,165)	**(1,113)**
Total	**(75)**	**(443)**	**516**	**318**	**(528)**	**(912)**	**(1,124)**
Changes during the year (accumulated depreciation and impairment)							
Depreciation	-	(420)	(3,966)	(282)	(600)	-	**(5,268)**
Impairment losses	(1)	(29)	(90)	(59)	(6)	(6)	**(191)**
Disposals	2	37	1,348	99	98	(1)	**1,583**
Scope of consolidation	1	83	305	-	27	-	**416**
Translation differences	1	225	1,846	1	207	1	**2,281**
Other changes	1	(42)	72	130	232	6	**399**
Total	**4**	**(146)**	**(485)**	**(111)**	**(42)**	**-**	**(780)**
Balance at 31 December 2017							
Original cost	1,154	11,642	60,273	3,007	5,724	2,954	**84,754**
Accumulated depreciation and impairment	(40)	(4,970)	(39,098)	(675)	(2,824)	(17)	**(47,624)**
Net carrying amount	**1,114**	**6,672**	**21,175**	**2,332**	**2,900**	**2,937**	**37,130**
of which leased under finance leases	*5*	*278*	*191*	*-*	*1,545*	*-*	***2,019***

Additions total €4,882 million (€7,760 million in 2017) and mainly refer to the FCA Group for €3,061 million (€5,659 million in 2017) and the CNH Industrial Group for €1,543 million (€1,824 million in 2017).

Impairment losses in 2018 of €208 million included €144 million for the FCA Group relating to the changes in product plans in connection with their 2018-2022 business plan, primarily in EMEA, as well as €64 million related to the commercial vehicles, in particular assets sold with buy-back commitments of CNH Industrial Group.

Impairment losses in 2017 of €191 million included €119 million for the FCA Group relating to the impairment of FCA Venezuela's assets prior to the deconsolidation, change in the global product portfolio in EMEA and product portfolio changes in LATAM, as well as €59 million related to the commercial vehicles, in particular assets sold with buy-back commitments of the CNH Industrial Group.

The net carrying amount of assets leased under finance lease agreements includes assets that are legally owned by suppliers but are recognised 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.

Other tangible assets include products leased to customers by CNH Industrial for €1,550 million at 31 December 2018 (€1,539 million at 31 December 2017). CNH Industrial Financial Services purchases leases and equipment from CNH Industrial dealers and other independent third parties that have leased equipment to retail customers under operating leases. The investment in these leases is based on the purchase price paid for the equipment. Income from the leases is recognised over the term of the lease. The equipment is depreciated on a straight-line basis over the term of the lease to the estimated residual value at lease termination.

The carrying amount of property, plant and equipment of FCA and CNH Industrial reported as pledged for security for debt and other commitments, primarily relating to operations in Brazil, are as follows:

(€ million)	At 31 December 2018	2017
Land and industrial buildings pledged as security for debt	945	1,117
Plant and machinery pledged as security for debt and other commitments	1,241	1,325
Other assets pledged as security for debt and other commitments	81	17
Total	**2,267**	**2,459**

At 31 December 2018 and 2017, real estate mortgaged for a loan from the Istituto per il Credito Sportivo to Juventus for the construction of the new stadium and for the renovation of premises in the east section, amounts to a maximum amount of €140 million.

At 31 December 2018 the Group has contractual commitments for the acquisition of property, plant and equipment amounting €792 million (€662 million at 31 December 2017).

15 Investments and other financial assets

Investments and other financial assets at 31 December 2018 and 2017 are as follows:

(€ million)	At 31 December 2018	2017
Investments in joint ventures	2,194	2,211
Investments in associates	1,196	1,132
Other investments accounted for using the equity method	40	48
Equity method investments	**3,430**	**3,391**
Non-current financial receivables	294	306
Investments at FVTOCI	51	113
Investments at FVTPL	60	-
Other investments	4	44
Other securities	567	324
Other financial assets	463	411
Total other investments and other financial assets	1,439	**1,198**
Investments and other financial assets	**4,869**	**4,589**

Investments in joint ventures

Investments in joint ventures at 31 December 2018 and 2017 are as follows:

(€ million, except percentages)		At 31 December 2018	2017
Investments in joint ventures			
FCA Bank	50.00%	1,360	1,178
Tofas - Turk Otomobil Fabrikasi A.S. (“*Tofas*”)	37.90%	233	298
GAC FIAT Chrysler Automobiles Co. (“*GAC FCA JV*”)	50.00%	216	287
Naveco (Nanjing Iveco Motor Co.) Ltd. (“*Naveco*”)	50.00%	144	163
Turk Traktor Ve Ziraat Makineleri A.S. (Turk Traktor”)	37.50%	44	62
Other		197	223
Total Investments in joint ventures		**2,194**	**2,211**

FCA Bank is a joint venture with Crédit Agricole Consumer Finance S.A. (“CACF”) which operates in Europe, primarily in Italy, France, Germany, the UK and Spain. FCA Group has agreed with Credit Agricole to extend its term through 31 December 2022, which may be automatically renewed up to 31 December 2024, unless a termination notice is served in the period from 1 January 2019 to 30 June 2019. 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 at and for the year ended 31 December 2018 have not been authorised for issuance at the date of issuance of these Consolidated Financial Statements. As such, the most recent publicly available financial information is included in the tables below and 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 2019 Consolidated Financial Statements when available.

The following tables include summarised financial information relating to FCA Bank:

	At 30 June	At 31 December
(€ million)	**2018**	**2017**
Financial assets	25,496	23,434
Of which Cash and cash equivalents	-	-
Other assets	4,175	3,753
Financial liabilities	25,634	23,424
Other liabilities	1,346	1,250
Equity (100%)	2,691	2,513
Net assets attributable to owners of the parent	2,645	2,469
Group's share of net assets	1,323	1,235
Elimination of unrealised profits and other adjustments	37	(57)
Carrying amount of interest in FCA Bank[(1)]	**1,360**	**1,178**

(1) Amounts at 31 December 2018 and 2017 respectively.

	Six months ended 30 June	Year ended 31 December
(€ million)	**2018**	**2017**
Interest and similar income	471	855
Interest and similar expenses	(144)	(266)
Income tax expense	(80)	(139)
Profit from continuing operations	201	383
Net profit	201	383
Net profit attributable to owners of the parent (A)	199	378
Other comprehensive income (loss) attributable to owners of the parent (B)	(5)	(8)
Total Comprehensive income attributable to owners of the parent (A + B)	194	370
Group's share of net profit[(1)]	**195**	**189**

(1) Amounts for the years ended 31 December 2018 and 2017 respectively.

The following table sets forth information relating to the Group's joint ventures

	JV Partner	Activity	Listing	Fair Value at 31 December (€ million)	
				2018	**2017**
Tofas	Koc Holding	Production of light and commercial vehicles in Turkey	Istanbul Stock Exchange	531	1,375
GAC FCA JV	Guangzhou Automobile Group Co.	Production of Jeep for the Chinese market	n.a.	n.a.	n.a.
Naveco	Nanjing Automotive Corporation	Production of light and commercial vehicles in China	n.a.	n.a.	n.a.
Turk Traktor	KOC Holding	Tractor production and import and distribution of agricultural equipment in Turkey	Istanbul Stock Exchange	100	334

Investments in associates

Investments in associates at 31 December 2018 and 2017 are as follows:

(€ million, except percentages)		At 31 December	
		2018	**2017**
Investments in associates			
Almacantar Group	35.80%	435	449
The Economist Group	43.40%	318	294
CNH Capital Europe S.a.s.	49.90%	153	144
Other		290	245
Total Investments in associates		**1,196**	**1,132**

Result from investments for the years ended 31 December 2018 and 2017 are as follows:

	Years ended 31 December	
(€ million)	**2018**	**2017**
Share of the profit of equity method investees	321	558
(Losses) Gains on disposal of investments	(2)	76
Dividends from investments	2	12
Impairment losses	(7)	(68)
Other losses from investments	-	(4)
Total result from investments	**314**	**574**

The following table summarises the share of profits of equity method investees for the years ended 31 December 2018 and 2017:

	Years ended 31 December	
(€ million)	**2018**	**2017**
Joint ventures	239	436
Associates	69	79
Others	13	43
Share of the profit of equity method investees	**321**	**558**

Non-current financial receivables

Non-current financial receivables mainly consist of amounts held on deposit or otherwise pledged to secure obligations under various commercial agreements, as well as letters of credit and other agreements.

Other securities

Other securities primarily relate to bonds which are issued by leading counterparties and listed on active markets as well as mutual funds and other non-current securities. Other securities at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Debt securities at FVTPL	403	177
Debt securities at amortised cost	114	53
Debt securities at FVTOCI	50	94
Total other securities	**567**	**324**

Other financial assets

Other financial assets represent the fair value of derivative financial instruments analysed in Note 28, "*Other financial assets and other financial liabilities*".

16 Inventories

Inventories at 31 December 2018 and 2017 are as follows:

(€ million)	At 31 December	
	2018	2017
Raw materials, supplies and finished goods	16,625	18,372
Assets sold with a buy-back commitment and GDP vehicles	1,903	1,891
Gross amount due from customers for contract work	124	175
Total inventories	**18,652**	**20,438**

The impact of adoption of IFRS 15 on Inventories at 1 January 2018 was as follows:

(€ million)	At 31 December 2017 (as reported)	Adjustments/ reclassification	At 1 January 2018
Raw materials, supplies and finished goods	18,372	-	18,372
Assets sold with a buy-back commitment and GDP vehicles	1,891	(288)	1,603
Gross amount due from customers for contract work	175	-	175
Total inventories	**20,438**	**(288)**	**20,150**

At 31 December 2018 net inventories of the CNH Industrial Group include assets which are no longer subject to operating lease arrangements or buy-back commitments for €382 million (€323 million at 31 December 2017).

In 2018 the amount of inventory writedowns recognised as an expense is €771 million (€740 million in 2017), while amounts recognised as income from the reversal of write-downs on items sold during the year are not significant. Additionally, during the year ended 31 December 2018, impairments of inventory totaling €129 million were recognised by the FCA Group in connection with the accelerated adoption of new emission standards in China and slower than expected sales.

Construction contracts, net of advances, at 31 December 2018 and 2017 are as follows:

(€ million)	At 31 December	
	2018	2017
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	954	881
Less: Progress billings	(912)	(886)
Construction contracts, net of advances on contract work	**42**	**(5)**
Gross amount due from customers for contract work, as an asset	135	175
Less: Amount due to customers for contract work, as a liability	(93)	(180)
Construction contracts, net of advances on contract work	**42**	**(5)**

Changes in the Group's construction contracts, net of advances on contract work for the year ended 31 December 2018 were as follows:

(€ million)	At 31 December 2017	Advances received from customers	Amounts recognised within revenue	Transfers to Assets/(Liabilities) held for sale	Other Changes	At 31 December 2018
Construction contracts, net of advances on contract work	**(5)**	(878)	958	-	(33)	**42**

The entire amount of construction contracts, net of advances on contract work is expected to be recognised as revenue in the following 12 months.

17 Trade and other receivables

Trade and other receivables at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Trade receivables	2,525	3,015
Receivables from financing activities	21,236	20,434
Receivables from reinsurance activities	3,417	2,963
Total trade and other receivables	**27,178**	**26,412**

Trade receivables

The analysis of trade receivables by due date, at 31 December 2018 and 2017 is as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Due within one year	2,517	3,010
Due between one and five years	8	5
Due beyond five years	-	-
Total trade receivables	**2,525**	**3,015**

At 31 December 2017 trade receivables are recorded net of the provision for doubtful receivables amounting to €383 million.

As explained in Note 2 the Group adopted IFRS 9 starting from 1 January 2018 as a result of which the impairment model for financial assets moved from the incurred loss model under IAS 39 to the expected credit loss model under IFRS 9. In accordance with IFRS 9 the simplified approach, which requires expected lifetime losses, was applied to trade receivables.

The following table shows the ECL allowance for trade receivables measured at amortised cost at 31 December 2018:

	At 31 December 2018		
(€ million)	**Current and less than 90 days past due**	**90 days or more past due**	**Total**
Gross amount	2,373	438	2,811
ECL allowance	(87)	(264)	(351)
Carrying amount	**2,286**	**174**	**2,460**

In addition to the amounts above, at 31 December 2018 a further €65 million of trade receivables was measured at fair value through profit or loss (refer to Note 32, "*Fair value measurement by hierarchy*").

The movement in the allowance for expected credit losses for trade receivables is as follows:

(€ million)	**2018**
At 1 January	383
Provision for expected credit losses	73
Use and other changes	(74)
Transferred to Assets held for sale	(31)
At 31 December	**351**

Receivables from financing activities

Receivables from financing activities at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Dealer financing	11,191	10,690
Retail financing	9,165	8,739
Finance leases	462	498
Other	418	507
Total receivables from financing activities	**21,236**	**20,434**

The analysis of receivables from financing activities by due date, for the years ended 31 December 2018 and 2017 is as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Due within one year	14,713	14,058
Due between one and five years	6,266	6,135
Due beyond five years	257	241
Total receivables from financing activities	**21,236**	**20,434**

At 31 December 2017 receivables from financing activities are recorded net of the provision for doubtful receivables amounting to €539 million.

As explained in Note 2 the Group adopted IFRS 9 starting from 1 January 2018 as a result of which the impairment model for financial assets moved from the incurred loss model under IAS 39 to the expected credit loss model under IFRS 9. In accordance with IFRS 9 the general approach, recording the credit losses either on a 12-month or lifetime basis, was applied to receivables from financing activities.

The following table shows the ECL allowance for receivables from financing activities measured at amortised cost at 31 December 2018:

(€ million)	At 31 December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	19,850	358	517	**20,725**
ECL allowance	(223)	(45)	(189)	**(457)**
Carrying amount	**19,627**	**313**	**328**	**20,268**

In addition to the amounts above, at 31 December 2018 a further €968 million of receivables from financing activities was measured at fair value through profit or loss (refer to Note 32, "*Fair value measurement by hierarchy*").

The movement in the allowance for expected credit losses for receivables from financing activities is as follows:

(€ million)	**2018**
At 1 January	539
Provision for expected credit losses	115
Use and other changes	(196)
Transferred to Assets held for sale	(1)
At 31 December	**457**

The analysis of financial lease receivables by due date, (gross of allowance of €124 million and €150 million at 31 December 2018 and 2017 respectively) at 31 December 2018 and 2017 is as follows:

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
Receivables for future minimum lease payments	226	384	25	635
Less: unrealised interest income	(12)	(37)	-	(49)
Present value of future minimum lease payments at 31 December 2018	**214**	**347**	**25**	**586**
Receivables for future minimum lease payments	257	396	36	689
Less: unrealised interest income	(10)	(33)	-	(43)
Present value of future minimum lease payments at 31 December 2017	**247**	**363**	**36**	**646**

No contingent rents were recognised as finance lease income during 2018 or 2017 and unguaranteed residual values at 31 December 2018 and 2017 are not significant.

18 Investments of reinsurance companies

Investments of reinsurance companies at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	2018	2017
Fixed maturities, at fair value	11,040	10,552
Funds held by reinsured companies	725	668
Equities, at fair value	606	532
Short-term investments, at fair value	431	4
Accrued investment income, at fair value	101	101
Funds held directly managed (a)	-	354
Other invested assets	839	760
Total investments of reinsurance companies	**13,742**	**12,971**

(a) The funds held-directly managed account was settled prior to 31 December 2018 upon commutation of the related run-off business and loss reserves At 31 December 2017, included €316 million of assets measured at fair value through profit or loss and €62 million at amortised cost.

At 31 December 2018 approximately €133 million (€228 million at 31 December 2017) of cash and cash equivalents and approximately €3,362 million (€2,853 million at 31 December 2017), respectively, of securities were deposited, pledged or held in escrow accounts in favour of ceding companies and other counterparties or government authorities to comply with reinsurance contract provisions and insurance laws.

Net realised and unrealised losses of €327 million and gains of €243 million on investments designated as fair value through profit or loss, were recognised in the Consolidated Income Statement during 2018 and 2017, respectively. Unrealised gains of €25 million on investments designated as available-for-sale were recognised directly in other comprehensive income during 2017 (nil during 2018).

19 Other assets

Other assets at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	2018	2017
Current tax receivables	1,020	638
Defined benefit plan assets	579	532
Other non-current assets	717	578
Other current assets:		
Accrued income and prepaid expenses	835	827
Other current assets	4,200	4,142
Total other current assets	**5,035**	**4,969**
Total other assets	**7,351**	**6,717**

The analysis of current tax receivables by due date at 31 December 2018 and 2017 is as follows:

	At 31 December	
(€ million)	2018	2017
Due within one year	835	533
Due between one and five years	166	84
Due beyond five years	19	21
Total current tax receivables	**1,020**	**638**

The analysis of other current assets by due date at 31 December 2018 and 2017 is as follows:

	At 31 December	
(€ million)	2018	2017
Due within one year	2,440	3,292
Due between one and five years	1,646	778
Due beyond five years	144	72
Total other current assets	**4,200**	**4,142**

20 Transfers of financial assets

The FCA Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. The carrying amount of transferred financial assets not derecognised and the related liabilities at 31 December 2018 and 2017 are as follows:

(€ million)	Trade receivables	Receivables from financing activities	Total
At 31 December 2018			
Carrying amount of the assets transferred and not derecognised	30	427	**457**
Carrying amount of the related liabilities	(30)	(427)	**(457)**
At 31 December 2017			
Carrying amount of the assets transferred and not derecognised	22	335	**357**
Carrying amount of the related liabilities	(22)	(335)	**(357)**

The CNH Industrial Group transfers a number of its financial and trade receivables under securitisation programs or factoring transactions. The carrying amount of such transferred financial assets, the related liabilities and the respective fair value at 31 December 2018 and 2017 are as follows:

(€ million)	Trade receivables	Receivables from financing activities	Other financial assets	Total
At 31 December 2018				
Carrying amount of assets	-	11,723	639	**12,362**
Carrying amount of the related liabilities	-	(9,202)	(639)	**(9,841)**
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:				
Fair value of the assets	-	11,609	639	**12,248**
Fair value of the liabilities	-	(9,093)	(639)	**(9,732)**
Net position	**-**	**2,516**	**-**	**2,516**
At 31 December 2017				
Carrying amount of assets	3	11,692	657	**12,352**
Carrying amount of the related liabilities	(3)	(9,370)	(657)	**(10,030)**
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:				
Fair value of the assets	3	11,642	657	**12,302**
Fair value of the liabilities	(3)	(9,196)	(657)	**(9,856)**
Net position		**2,446**		**2,446**

Other financial assets also include cash with a pre-determined use restricted to the repayment of securitisation debt.

21 Cash and cash equivalents

Cash and cash equivalents at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Cash at banks	10,036	11,376
Money market securities	8,318	7,912
Restricted cash	782	740
Total cash and cash equivalents	**19,136**	**20,028**

Cash and cash equivalents held in certain foreign countries (primarily, China and Argentina) are subject to local exchange control regulations providing for restrictions on the amount of cash other than dividends that can leave the country.

Certain of the Group entities perform securitisation transactions to support the funding portfolio of the financial services activities. In connection with such securitisation, cash collected from the settlement of receivables or lines of credit pledged as collateral is subject to certain restrictions regarding its use and is principally applied to repay principal and interest of the funding.

22 Equity

Share capital

At 31 December 2018 the total issued capital of EXOR N.V. was equal to €2.4 million, divided into 241,000,000 shares with a nominal value of Euro 0.01.

EXOR N.V. adopted a loyalty voting structure designed to incentivise long-term share ownership, on the basis of which for each EXOR N.V. ordinary share held consequently for a period of five years, shareholders will be entitled to five voting rights at the end of that period, and for each EXOR N.V. ordinary share held without interruption for a period of ten years, shareholders will be entitled to ten voting rights at the end of that period. No special voting shares had been issued and none are outstanding at 31 December 2018.

Treasury stock

At 31 December 2018, 6,709,893 shares with a nominal value of €0.01 per share are held as treasury stock (5,977,695 at 31 December 2017).

The movements in treasury stock are mainly related to shares repurchased by EXOR under their share buyback program (1,231,510 shares in 2018), partially offset by shares issued under the Company's stock option plans.

Other comprehensive income

Other comprehensive income for the years ended 31 December 2018 and 2017 is as follows:

(*€ million*)	At 31 December 2018	2017
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:		
Gains (losses) on remeasurement of defined benefit plans	499	(24)
Share of gains (losses) on remeasurement of defined benefit plans for equity method investees	-	2
Gains (losses) on financial assets at FVTOCI	(12)	-
Items relating to discontinued operations	1	8
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods, before tax effect (B1)	**488**	**(14)**
Items that may be reclassified to the Consolidated Income Statements in subsequent periods:		
Gains (losses) on cash flow hedging instruments arising during the year	98	149
Gains (losses) on cash flow hedging instruments reclassified to the income Statement	(141)	90
Gains (losses) on cash flow hedging instruments	**(43)**	**239**
Gains (losses) on remeasurement on available-for-sale financial assets arising during the year	-	33
Gains (losses) on fair value on available-for-sale financial assets reclassified to the income statement	-	8
Gains (losses) on fair value of available-for-sale financial assets	**-**	**41**
Foreign exchange gains (losses) arising during the year	284	(3,762)
Foreign exchange gains (losses) reclassified to the income Statement	-	(45)
Foreign exchange gains (losses)	**284**	**(3,807)**
Share of other comprehensive income of equity method investees arising during the year	(180)	(4)
Share of other comprehensive income (loss) of equity method investees reclassified to the income statement	8	(33)
Share of other comprehensive income (loss) of equity method investees	**(172)**	**(37)**
Items relating to discontinued operations	(91)	58
Total Items that may be reclassified to the Consolidated Income Statement in subsequent periods, before tax effect (B2)	**(22)**	**(3,506)**
Total Other Comprehensive Income, before tax effect (B1)+(B2)=(B)	**466**	**(3,506)**
Tax effect	(107)	(110)
Tax effect - discontinued operations	1	(1)
Total Other Comprehensive Income (Loss), net of tax	**360**	**(3,631)**

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 recognised 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 24, "*Provisions for employee benefits*").

The tax effect relating to other comprehensive income for the years ended 31 December 2018 and 2017 is as follows:

(€ million)	At 31 December					
	2018			2017		
	Pre-tax balance	Tax benefit (expense)	Net-of-tax balance	Pre-tax balance	Tax benefit (expense)	Net-of-tax balance
Gains (losses) on remeasurement of defined benefit plans	499	(108)	391	(22)	(78)	**(100)**
Gains (losses) on financial assets at FVTOCI	(12)	-	(12)	-	-	**-**
Gains (losses) on cash flow hedging instruments	(43)	1	(42)	239	(32)	**207**
Gains (losses) on fair value of available-for-sale financial assets	-	-	-	41	-	**41**
Foreign exchange gains (losses)	284	-	284	(3,807)	-	**(3,807)**
Share of other comprehensive income (loss) of equity method investees	(172)	-	(172)	(37)	-	**(37)**
Items relating to discontinued operations	(90)	1	(89)	66	(1)	**65**
Total Other Comprehensive Income (Loss)	**466**	**(106)**	**360**	**(3,520)**	**(111)**	**(3,631)**

Non-controlling interests

Non-controlling interests at 31 December 2018 and 2017 is as follows:

(€ million)	Attributable to non-controlling interests		
	%	Profit	Equity
At 31 December 2018			
FCA	71.02%	2,586	17,854
CNH Industrial	72.90%	871	4,626
Ferrari	76.35%	602	1,090
PartnerRe	- (a)	30	636
Juventus	36.23%	(20)	29
Total		**4,069**	**24,235**
At 31 December 2017			
FCA	70.82%	2,491	14,821
CNH Industrial	73.09%	315	4,240
Ferrari	76.48%	411	655
PartnerRe	- (a)	32	616
Juventus	36.23%	5	49
Total		**3,254**	**20,381**

(a) Related to preferred shares.

The carrying value of the preferred shares of PartnerRe, recognised in non-controlling interests, at 31 December 2018 was €636 million ($728 million).

23 Share-based compensation

The subsidiaries of the Group have various stock option plans which amongst others include the award of performance share units (“PSU”) and restricted share units (“RSU”). The PSU and RSU represent the right to receive one common share of the relevant entity. PSU awards have financial performance targets whilst the RSU awards have a service condition only. The total number of shares that will be issued may therefore vary from the original award.

Further details of the stock options plans of each of the Group entities are described below.

EXOR

Long Term Incentive Plan
The first part of the plan, denominated “Long Term Stock Grant”, vested at the end of May 2018 and 124,612 shares have been delivered to the beneficiaries. The cost recognized in 2018 in the stock option reserve amounts to €169 thousand.

At the end of May 2018, the second part of the plan, denominated “Company Performance Stock Options”, vested 1,019,200 options of which 450,000 to the Chairman and Chief Executive Officer of the company and 569,200 to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price per share of €16.59 and €16.62, respectively. The options are exercisable until 2021.

The cost recognized in 2018 in the stock option reserve amounts to €201 thousand, of which €110 thousand classified as compensation to the Chairman and Chief Executive Officer.

Stock Option Plan EXOR 2016
The Stock Option Plan EXOR 2016 has a maximum of 3,500,000 options which enable the recipients to purchase a corresponding number of the Company’s shares conditional on ongoing service at the vesting date at an exercise price of €32.38 per share.

The options vest on 30 May each year as follows:

- In five equal annual quotas, beginning in 2017, for options granted prior to 31 December 2016;
- In four equal annual quotas, beginning in 2018, for options granted between 1 January and 31 December 2017;
- In three equal annual quotas, beginning in 2019, for options granted between 1 January and 31 December 2018;
- In two equal annual quotas, beginning in 2020, for options granted between 1 January and 31 December 2019; and
- In a single quota, on 30 May 2021 for options granted between 1 January and 31 December 2020.

Each option may be exercised for 3 years after the vesting date until 31 December 2026. Recipients who do not exercise their options by such date will cease to have any rights.

The number of stock options granted at 31 December 2018 is 2,937,135. The composition of the plan is as follows:

	Options granted at 31 December 2018	Total cost of plan (€ thousand)	Cost relating to 2018 (€ thousand)	Cost relating to 2017 (€ thousand)
Chairman and Chief Executive Officer of EXOR N.V.	2,013,950	17,959	3,586	3,586
Key employees	485,312	4,392	887	887
Key employees of companies in Other EXOR entities	437,873	3,953	791	774
Total	**2,937,135**	**26,304**	**5,264**	**5,247**

All the share based incentive plans will be serviced exclusively by treasury stock without any new share issues and therefore will not have any dilutive effect on issued capital.

FCA Group

At 31 December 2018 and at 31 December 2017 various share-based compensation plans relating to managers of the FCA Group and the Chief Executive Officer of FCA are in place.

In 2015, 2016 and 2017 and 2018 FCA awarded PSUs and RSUs to certain key employees under the framework equity incentive plan. The PSU and RSU awards represent the right to receive FCA common shares. The PSU awards have financial performance goals that include, a net income target as well as total shareholder return ("TSR") target whilst the RSU awards are based on service conditions.

The following table sets forth certain information related to the PSU awards in 2015, 2017 and 2018.

	2015	2017	2018
PSU			
PSU awarded	14.71 million	2.26 million	2.40 million (PSU 2018)
Performance conditions	50% Net Income Target (PSU NI) 50% Total Shareholder Return Target (PSU TSR)		Total Shareholder Return Target (PSU TSR)
Performance Period	5 years 2014 to 2018	- PSU NI 3 years (2016 to 2018) - PSU TSR 2 years (Dec 16 to Dec 18)	5 years 2017 to 2021
Performance period start date	1 January 2014	1 January 2016	1 January 2017
Vesting Dates	- 1/3 Q1 2017 (performance goals 2014 to 2016) - cumulative 2/3 Q1 2018 (performance goals 2014 to 2017) - cumulative 100% Q1 2019 (performance goals 2014 to 2018)	Q1 2019	- 1/3 Q1 2020 (performance goals 2017 to 2019) - cumulative 2/3 Q1 2021 (performance goals 2017 to 2020) - cumulative 100% Q1 2022 (performance goals 2017 to 2021)

Furthermore in December 2018, FCA awarded an additional 0.1 million PSU awards (not included in the 2.4 million 2018 PSU awards above) to certain key employees, which were granted with the same terms as those granted in 2015, as described in the table above. These awards will vest in the first quarter of 2019.

The following table sets forth certain information related to the RSU awards in 2015, 2016, 2017 and 2018.

	2015	2016	2017	2018
RSU				
RSU awarded	5.20 million	0.09 million	2.29 million	0.58 million (RSU 2018) 0.05 million (RSU Dec. 2018)
Vesting Dates	Equal tranches Q1 2017, Q1 2018 and Q1 2019	Equal tranches Q1 2017 and Q1 2018	Equal tranches Q1 2018 and Q1 2019	Equal tranches 2017, 2018 and 2019 (RSU 2018) Q1 2019 (RSU Dec. 2018)

The vesting of the PSU NI awards is determined by comparing FCA's net profit excluding unusual items to the net income targets derived from FCA's business plan for the corresponding period. The fair values of the PSU NI awards were calculated using a Monte Carlo simulation model.

Changes during 2018 and 2017 for the PSU NI awards under the framework equity incentive plan were as follows:

	2018		2017	
	PSU NI	Weighted average fair value at the grant date (€)	PSU NI	Weighted average fair value at the grant date (€)
Outstanding shares unvested at 1 January	**8,803,826**	**5.89**	**11,379,445**	**5.65**
Anti-dilution adjustment	32,855	5.87	65,751	5.62
Granted	71,136	9.73	1,136,250	7.91
Vested	(3,857,502)	5.58	(3,758,870)	5.65
Cancelled	-	-	-	-
Forfeited	(481,485)	6.27	(18,750)	7.91
Outstanding shares unvested at 31 December	**4,568,830**	**6.14**	**8,803,826**	**5.89**

Changes during 2018 and 2017 for the PSU TSR awards under the framework equity incentive plan were as follows:

	2018		2017	
	PSU TSR	Weighted average fair value at the grant date (€)	PSU TSR	Weighted average fair value at the grant date (€)
Outstanding shares unvested at 1 January	**8,803,827**	**10.58**	**11,379,446**	**10.64**
Anti-dilution adjustment	32,855	10.54	65,750	10.58
Granted	2,473,637	13.15	1,136,250	10.84
Vested	(3,857,502)	10.51	(3,758,869)	10.63
Cancelled	-	-	-	-
Forfeited	(526,404)	11.50	(18,750)	10.84
Outstanding shares unvested at 31 December	**6,926,413**	**11.42**	**8,803,827**	**10.58**

The key assumptions utilised to calculate the grant date fair values for the PSU NI and PSU TSR awards issued are summarised below:

	2018 Awards	2017 Awards		2015 Awards	
	PSU TSR	PSU NI	PSU TSR	PSU NI	PSU TSR
	Awards Range	Awards Range	Awards Range	Awards Range	Awards Range
Grant date stock price	€18.79	€9.74 - €10.39	€9.74 - €10.39	€13.44 - €15.21	€13.44 - €15.21
Expected volatility	41%	40%	44%	40%	37% - 39%
Dividend yield	0%	0%	0%	0%	0%
Risk-free rate	(0.3)%	(0.80)%	0.80%	0.70%	0.7% - 0.8%

The expected volatility was based on the observed historical volatility for common shares of FCA. The risk-free rate was based on the yields of government and treasury bonds with similar terms to the vesting date of each PSU NI and PSU TSR award. In addition, since the volatility of each member of the defined peer group are not wholly independent of one another, a correlation coefficient was developed based on historical share price changes for FCA and the defined peer group over a three-year period leading up to the grant date of the awards.

Changes during 2018 and 2017 for the RSU awards under the framework equity incentive plan were as follows:

	2018		2017	
	RSUs	Weighted average fair value at the grant date (€)	RSUs	Weighted average fair value at the grant date (€)
Outstanding shares unvested at 1 January	**7,600,313**	**9.17**	**7,969,623**	**8.69**
Anti-dilution adjustment	28,299	9.12	46,189	8.64
Granted	627,081	18.54	2,293,940	10.43
Vested	(3,690,050)	9.09	(2,671,939)	8.64
Cancelled	-	-	-	-
Forfeited	(274,657)	10.28	(37,500)	10.39
Outstanding shares unvested at 31 December	**4,290,986**	**10.47**	**7,600,313**	**9.17**

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.

	Anti-dilution adjustment	
	2018	2017
PSU Awards: **Number of awards - as adjusted**	**17,673,363**	**22,890,392**
Key assumption - as adjusted: Grant date stock price - for PSU NI and PSU TSR	€5.71 - €10.35	€8.66 - €9.79
RSU Awards: **Number of awards - as adjusted**	**7,628,612**	**8,015,812**

The following table sets forth information related to the income statement expense recognised and to be recognised in relation to the PSU and RSU awards:

	Years ended 31 December	
(€ million)	2018	2017
Total expense	54	85
Unrecognised expense	28	47
Weighted average remaining period over which expense will be recognised (years)	1.8	1

CNH Industrial

CNH Industrial’s equity awards are governed by several plans: i) CNH Industrial N.V. Equity Incentive Plan (“CNH Industrial EIP”); ii) CNH Industrial N.V. Directors’ Compensation Plan (“CNH Industrial DCP”); iii) CNH Global N.V. Equity Incentive Plan (“CNH EIP”); and, iv) CNH Global N.V. Directors’ Compensation Plan (“CNH DCP”).

The following table sets forth information related to the income statement expense recognised and to be recognised in relation to the CNH Industrial's equity awards:

	Years ended 31 December	
(€ million)	2018	2017
Total expense	30	17
Unrecognised expense	38	87
Weighted average remaining period over which expense will be recognised (years)	1.12	1.79

Performance Share Units

In 2014 CNH Industrial issued a one-time grant of PSU's to its Chief Executive Officer and selected key employees, with financial performance goals covering the five-year period from 1 January 2014 to 31 December 2018. This PSU grant totaled approximately 12 million units and further pro-rata amounts for were issued to new employees in 2016 and 2017. In December 2017 CNH Industrial cancelled all such PSU's awarded and issued a grant of PSU's to its Chief Executive Officer and selected key employees, with financial performance goals covering the three-year period from 1 January 2017 to 31 December 2019. This PSU grant totaled approximately 7 million units. In 2018, prorated share amounts covering performance through this same period were issued to new employees entering the plan. 0.6 million additional PSUs were granted in 2018. The performance goal is a market condition with a payout schedule ranging from 0% to 130%. In addition, there is a performance condition that if not met, reduces the payout by 30%. Accordingly, the total number of shares that will eventually be granted may vary from the original estimate of 7 million shares. The awards cliff vest on 28 February 2020 to the extent that the market condition is met upon completion of the performance period on 31 December 2019.

The fair values of the awards are calculated using the Monte Carlo Simulation model. The weighted average fair value of the awards that were issued in 2018 and 2017 is $8.69 and $9.14 per share, respectively. As a significant majority of the awards (approximately 88% of total awards as of 31 December 2018) were issued on 22 December 2017, the key assumptions utilised to calculate the grant-date fair values for awards issued on this grant dates are listed below:

	Key assumptions for awards issued on 22 December 2017
Grant date stock price (in $)	10.73
Expected volatility	31.1%
Dividend yield	0.87%
Risk-free rate	2.01%

The expected volatility is based on the daily stock price movements experienced by the common shares of CNH Industrial N.V. over a three-year period ending on the grant date. The expected dividend yield was based on CNH Industrial's historical dividend payout as management expected the dividend payout for future years to be consistent. The risk-free interest rate was based on the yields of three-year U.S. Treasury bonds.
Movements in Performance-based Share Units are as follows:

	2018		2017	
	Number of shares	Weighted average fair value at grant date ($)	Number of shares	Weighted average fair value at grant date ($)
Outstanding shares unvested at the beginning of the year	**6,632,100**	**9.14**	**11,725,260**	**8.51**
Granted	617,140	8.69	6,632,100	9.14
Forfeited/cancelled	(1,940,500)	6.82	(11,725,260)	9.23
Vested	-	-	-	-
Outstanding shares unvested at the end of the year	**5,308,740**	**7.92**	**6,632,100**	**9.14**

Restricted Share Units
In 2016, 2017 and 2018 CNH Industrial awarded RSU's to selected key employees and in 2014 to the Chairman of CNH Industrial N.V.

The following table sets forth certain information related to the RSU's awarded:

	Years ended 31 December			
	2014	**2016**	**2017**	**2018**
RSU awards	3 million	2 million	4 million	1 million
Weighted average grant date fair value	$10.41	$7.30	$13.23	$11.63
Vesting Dates	Five equal tranches over 5 years	Three equal tranches over three years		

The fair value of the award is measured using the stock price on the grant date adjusted for the present value of future dividends that employees will not receive during the vesting period.

In relation to the 2014 RSU's awarded to the Chairman, the first, second, third and fourth tranches of 750 thousand, 750 thousand, 600 thousand and 450 thousand shares vested on 31 December 2014, 2015, 2016 and 2017, respectively, and were exercised on 23 February 2015, 8 February 2016, 8 February 2017 and 20 February 2018, respectively. The fifth tranche of 450 thousand shares vested on 25 July 2018.

Movements in Restricted Share Units are as follows:

	2018		2017	
	Restricted shares	**Weighted average grant-date fair value ($)**	**Restricted shares**	**Weighted average grant-date fair value ($)**
Outstanding shares unvested at the beginning of the year	**6,092,234**	**11.38**	**4,232,708**	**8.14**
Granted	632,840	11.63	3,939,100	13.23
Forfeited	(913,290)	12.46	(172,706)	7.77
Vested	(2,447,337)	10.27	(1,906,868)	8.67
Outstanding shares unvested at the end of the year	**3,364,447**	**11.88**	**6,092,234**	**11.38**

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 2017 or 2018 under the CNH EIP.

Changes during the year in stock option plans are as follows:

	2018		2017	
	Number of options	**Weighted average exercise price ($)**	**Number of options**	**Weighted average exercise price ($)**
Outstanding at the beginning of the year	**214,574**	**8.78**	**7,210,881**	**9.51**
Exercised	(203,029)	8.78	(3,164,130)	8.78
Expired	(11,545)	8.78	(3,832,177)	10.15
Outstanding at the end of the year	-	-	**214,574**	**8.78**
Exercisable at the end of the year	-	-	**214,574**	**8.78**

Ferrari

In 2017 Ferrari issued the following PSU's and RSU's to the GEC and key leaders and to the Chief Executive Officer.

	GEC and Key Leaders	CEO
PSU		
PSU awarded	237 thousand	450 thousand
Performance conditions	Total shareholder return target (TSR)	
Performance Period	2016 to 2020	
Performance period start date	1 Jan 2016	
Vesting Dates	- 1/3 March 2019 - cumulative 2/3 March 2020 - cumulative 100% March 2021	
RSU		
RSU awarded	119 thousand	-
Vesting Dates	Equal tranches March 2019, 2020 and 2021	Equal tranches Q1 2018 and Q1 2019
Performance period start date	1 Jan 2016	

In 2018, Ferrari issued approximately 21 thousand additional PSUs and 10 thousand additional RSUs, including to its new Chief Executive Officer, under the same conditions as the awards in the table above.

The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The range of the fair value of the PSUs that were awarded in 2017 is €59.36 to €72.06 per share and the range of the fair value of the RSUs that were awarded in 2018 is €61.30 to €111.92. The key assumptions utilised to calculate the grant-date fair values for these awards are summarised below:

	PSU Awards granted in	
Key assumptions	**2018**	**2017**
Grant date share price	€113.70	€ 66.85
Expected volatility	16.7%	17.4%
Dividend yield	0.9%	1.2%
Risk-free rate	0%	0%

The expected volatility was based on the observed volatility of the Peer Group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

The RSU awards granted are conditional on a recipient's continued service to the Company, as described below. The fair value of the awards was measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period. The range of the fair value of the RSUs awarded in 2017 is €63.00 to €64.64 per share and the range of the fair value of the RSUs awarded in 2018 is €110.76 to €112.99.

At 31 December 2018, none of the PSUs or RSUs were vested, and 33 thousand PSUs and 16 thousand RSUs were forfeited. Under the equity incentive plan, the total number of PSUs and RSUs outstanding at 31 December 2018 were 675 thousand and 113 thousand, respectively.

The following table sets forth information related to the income statement expense recognised and to be recognised in relation to the PSU and RSU awards:

	Years ended 31 December	
(€ million)	**2018**	**2017**
Total expense	22	28
Unrecognised expense	6	26

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 on 1 March or 1 September. 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 recognised at fair value over the three years restriction period.

During 2018 certain PartnerRe's executive officers were awarded an aggregate $9 million ($6 million in 2017) in Class B shares. The compensation expense and related liability related to granted awards for the years ended 31 December 2018 and 2017 is $3 million and $2 million, respectively.

24 Provisions for employee benefits

The Group's provisions and net assets for employee benefits are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Present value of defined benefit obligations:		
Pension plans	25,562	28,497
Healthcare and life insurance plans	2,594	3,212
Other post-employment benefits	1,128	1,320
Total present value of defined benefit obligations	**29,284**	**33,029**
Fair value of plan assets on pension plan	(20,922)	(23,420)
Fair value of plan assets of healthcare and life insurance plans	(124)	(153)
Asset ceiling	12	29
Total net defined benefits plan assets	**8,250**	**9,485**
of which:		
Net defined benefit liability	*8,820*	*10,008*
(Defined benefit plan assets)	*(570)*	*(523)*
Other provisions for employees	**1,370**	**1,645**
Total provisions for employee benefits	**10,190**	**11,653**

The Group provides post-employment benefits for certain of its active employees and retirees, either directly or by contributing to independently administered funds. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates.

The Group provides post-employment benefits under defined contribution and defined benefit plans.

The plans are classified by the Group on the basis of the type of benefit provided as follows: pension benefits, healthcare plans, life insurance plans, and other post-employment benefits.

Moreover, the Group provides post-employment benefits, such as pension or healthcare benefits, to its employees under defined contribution plans. In this case, the Group pays contributions to publicly or privately administered insurance plans on a legally mandatory, contractual, or voluntary basis. By paying these contributions the Group fulfills all of its obligations. The Group recognises the cost for defined contribution plans over the period in which the employee renders service. In 2018 this cost amounts to €2,024 million (€1,978 million in 2017).

Pension benefits

Group companies in the United States and Canada sponsor both non-contributory and contributory defined benefit pension plans. Liabilities arising from these plans are usually funded by contributions made by the Group and, at times by their employees, into legally separate trusts which independently manage the assets servicing the plan from which the employee benefits are paid.

The Group's funding policy for defined benefit pension plans is to contribute the minimum amounts required by applicable laws and regulations. Occasionally, additional discretionary contributions in excess of these legally required are made to achieve certain desired funding levels.

To the extent that a fund is overfunded, the Group is not required to make further contribution to the plan in respect of minimum performance requirements so long as the fund is in surplus. In the U.S. these excess amounts are tracked, and the resulting credit balance can be used to satisfy minimum funding requirements in future years

The FCA Group contributions to funded pension plans for 2019 are expected to be €508 million, of which €479 million relates to the U.S. and Canada, with €438 million being discretionary contributions and €41 million which will be made to satisfy minimum funding requirements.

The expected benefit payments for pension plans are as follows:

(€ million)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024-2028**
Expected benefit payments	1,657	1,633	1,617	1,607	1,595	7,994

Changes in pension plans are the following:

(€ million)	At 31 December							
	2018				2017			
	Defined benefit obligation	Fair value of plan assets	Asset ceiling	(Net asset) Net liability obligation	Defined benefit obligation	Fair value of plan assets	Asset ceiling	(Net asset) Net liability obligation
Amounts at 1 January	**28,497**	**(23,420)**	**29**	**5,106**	**31,260**	**(25,723)**	**12**	**5,549**
Included in the income statement	82	487	-	**569**	1,362	(870)	-	**492**
Included in Other comprehensive income:								
Actuarial (gains) losses from:								
- demographic assumptions	(209)	-	-	**(209)**	(80)	-	-	**(80)**
- financial assumptions	(1,627)	-	-	**(1,627)**	1,670	-	-	**1,670**
- other	(17)	129	(16)	**96**	(27)	-	16	**(11)**
Return on assets	-	1,615	-	**1,615**	-	(1,710)	-	**(1,710)**
Change in the effect of limiting net assets	-	-	(1)	**(1)**	-	-	3	**3**
Exchange differences	834	(627)	-	**207**	(3,212)	2,632	(2)	**(582)**
Other changes:								
Contribution by employer	-	(807)	-	**(807)**	-	(176)	-	**(176)**
Contribution by plan participants	7	(7)	-	**-**	5	(8)	-	**(3)**
Benefits paid	(1,725)	1,560	-	**(165)**	(1,916)	1,874	-	**(42)**
Transfer to Liabilities held for sale	(268)	126	-	**(142)**	-	-	-	**-**
Other changes	(12)	22	-	**10**	(565)	561	-	**(4)**
Amounts at 31 December	**25,562**	**(20,922)**	**12**	**4,652**	**28,497**	**(23,420)**	**29**	**5,106**

Amounts recognised in the Consolidated Income Statement were as follows:

(€ million)	At 31 December	
	2018	2017
Current service cost	199	200
Interest expenses	987	1,157
Interest income	(810)	(964)
Other administrative costs	82	99
Past service costs (income) and (gains) losses arising from settlements	111	-
Total recognised in the Consolidated Income Statement	**569**	**492**

During the year ended 31 December 2018 the FCA Group settled a portion of the supplement retirement plan in NAFTA, resulting in a refund of excess assets of €22 million. The corresponding settlement charge of €78 million was recognised within Selling, general and administrative expenses in the Consolidated Income Statement for the year ended 31 December 2018.

During the year ended 31 December 2018 the FCA Group entered into an annuity buyout relating to two of its U.S. defined benefit plans. A total of €841 million was paid to a third-party insurance company in settlement of FCA's obligations, resulting in a settlement loss of €12 million that was recognised within Selling, general and administrative expenses in the Consolidated Income Statement for the year ended 31 December 2018.

During the year ended 31 December 2017 the FCA 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 recognised within Cost of revenues and Selling, general and administrative expenses in the Consolidated Income Statement for the year ended 31 December 2017.

The fair value of plan assets by class is as follows:

	At 31 December			
(€ million)	2018		2017	
	Amount	of which have a quoted market price in an active market	Amount	of which have a quoted market price in an active market
Cash and cash equivalents	**724**	**655**	**644**	**613**
US equity securities	1,488	1,284	1,674	1,426
Non-US equity securities	784	757	1,097	1,098
Commingled fund	1,833	606	2,684	1,138
Equity instruments	**4,105**	**2,647**	**5,455**	**3,662**
Government securities	3,047	1,207	2,935	1,094
Corporate bonds (including convertible and high-yield bonds)	5,347	-	6,327	-
Other fixed income securities	1,316	86	1,077	114
Fixed income securities	**9,710**	**1,293**	**10,339**	**1,208**
Private equity funds	2,066	-	1,963	-
Commingled funds	56	53	165	162
Mutual funds	864	-	908	-
Real estate funds	1,392	3	1,374	13
Hedge funds	1,676	26	1,893	49
Investment funds	**6,054**	**82**	**6,303**	**224**
Insurance contracts and other	**329**	**12**	**679**	**50**
Total fair value of plan assets	**20,922**	**4,689**	**23,420**	**5,757**

Non-U.S. equity securities are invested broadly in developed international and emerging markets. Debt instruments are fixed income securities which comprise primarily long-term U.S. Treasury and global government bonds, as well as U.S., developed international and emerging market companies' debt securities diversified by sector, geography and through a wide range of market capitalisation. Commingled funds include common collective trust funds, mutual funds and other investment entities. Private equity funds include those in limited partnerships that invest primarily in operating companies that are not publicly traded on a stock exchange. Real estate investments 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 maximise absolute return using a broad range of strategies to enhance returns and provide additional diversification.

The investment strategies and objectives for pension assets reflect a balance of liability-hedging and return-seeking investment considerations. The investment objectives are to minimise the volatility of the value of the pension assets relative to the pension liabilities and to ensure assets are sufficient to pay plan obligations. The objective of minimising the volatility of assets relative to liabilities is addressed primarily through asset diversification, partial asset-liability matching and hedging. Assets are broadly diversified across many asset classes to achieve risk-adjusted returns that, in total, lower asset volatility relative to the liabilities. Additionally, in order to minimise pension asset volatility relative to the pension liabilities, a portion of the pension plan assets are allocated to fixed income securities. The Group policy for these plans ensures actual allocations are in line with target allocations as appropriate.

Assets are actively managed, primarily, by external investment managers. Investment managers are not permitted to invest outside of the asset class or strategy for which they have been appointed. The Group uses investment guidelines to ensure investment managers invest solely within the mandated investment strategy. Certain investment managers use derivative financial instruments to mitigate the risk of changes in interest rates and foreign currencies impacting the fair values of certain investments. Derivative financial instruments may also be used in place of physical securities when it is more cost effective and/or efficient to do so.

Plan assets do not include shares of FCA, CNH Industrial, or properties occupied by Group companies.

Considering PartnerRe Group, plan assets are related to insured funds and cash. The insured funds comprise the accumulated pension plan contributions and investment returns thereon, which are held in an insurance arrangement that provides at least a guaranteed minimum investment return. The insured funds are held by a collective foundation of AXA Life Ltd. and are guaranteed under the insurance arrangement

Sources of potential risk in the pension plan assets measurements relate to market risk, interest rate risk and operating risk. Market risk is mitigated by diversification strategies and as a result, there are no significant concentrations of risk in terms of sector, industry, geography, market capitalisation, or counterparty. Interest rate risk is mitigated by partial asset-liability matching.

The fixed income target asset allocation partially matches the bond-like and long-dated nature of the pension liabilities. Interest rate increases generally will result in a decline in the fair value of the investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases generally will increase the fair value of the investments in fixed income securities and the present value of the obligations.

The weighted average assumptions used to determine the defined benefit obligations of the pension plans are as follows:

	At 31 December	
(in %)	**2018**	**2017**
FCA Group		
Discount rate	2.8 – 4.4	2.7 - 3.8
Future salary increase rate	3.0 – 3.5	3.2 - 3.5
Average duration (years)	11 - 20	11 – 20
CNH Industrial		
Discount rate	2.91	2.57
Future salary increase rate	3.00	2.68
Average duration (years)	12	12
Ferrari Group		
Discount rate	0.8	0.7
Average duration (years)	9	13
PartnerRe Group		
Discount rate	1	0.75
Future salary increase rate	2.25	2.25
Average duration (years)	19	20.5

The effect of an increase or decrease in the assumed discount rate, holding all other assumptions constant, would be as follows:

(€ million)	At 31 December			
	2018		2017	
	Increase	Decrease	Increase	Decrease
FCA Group [1]	(252)	257	(299)	306
CNH Industrial Group [2]	(291)	360	(263)	327
Ferrari Group [2]	(1.6)	1.9	(1.8)	2
PartnerRe Group [3]	(136)	147	(148)	161

(1) The effect of an increase or decrease of 0.1% in the assumed discount rate was considered.
(2) The effect of an increase or decrease of 1.0% in the assumed discount rate was considered.
(3) The effect of an increase or decrease of 0.25% in the assumed discount rate was considered.

Discount rates are used in measuring the obligation and the interest expense (income) of net period cost. Weighted-average discount rates are used in measurements of pension, healthcare and other post-retirement benefit obligations and net interest on the net defined benefit liability/asset. The weighted-average discount rates are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled at the measurement date. The benefit cash flow-matching approach involves analysing the Group's projected cash flows against a high quality bond yield curve, mainly calculated using a wide population of AA-yield corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria.

Healthcare and life insurance plans

Liabilities arising from these plans comprise obligations such as healthcare and life insurance granted to a number of employees and retirees in the U.S. and Canada.

These plans generally cover a number of employees retiring on or after reaching the age of 55 who have completed at least 10 years of employment. These benefits may be subject to deductibles, co-payment provisions and other limitations, and the Group has reserved the right to change or terminate these benefits, subject to the provisions of any collective bargaining agreement. These plans are not required to be funded. However, beginning in 2007, the Group began making contributions on a voluntary basis to a separate and independently managed fund established to finance the North American healthcare plans.

On 20 February 2018, CNH Industrial announced that the United States Supreme ruled in its favour in Reese vs. CNH Industrial N.V. and CNH Industrial America LLC. The decision allowed CNH industrial to terminate or modify various retiree healthcare benefits previously provided to certain UAW Union represented CNH Industrial retirees. On 16 April 2018, CNH Industrial announced its determination to modify the Benefits provided to the applicable retirees ("Benefits Modification") to make them consistent with the Benefits provided to current eligible CNH Industrial retirees who have been represented by the UAW. The Benefits Modification resulted in a deduction of the plan liability by €446 million. This amount has been recognised in its entirety as a pre-tax gain in Other income, net in the year ended 31 December 2018.

The expected benefits for healthcare and life insurance plans are the following:

(€ million)	2019	2020	2021	2022	2023	2024-2028
Expected benefit payments	164	162	161	161	161	804

Changes in healthcare and life insurance plans are as follows:

(€ million)	At 31 December					
	2018			2017		
	Defined benefit obligation	Fair value of plan assets	(Net asset) Net liability obligation	Defined benefit obligation	Fair value of plan assets	(Net asset) Net liability obligation
Present value of obligations at 1 January	**3,212**	**(153)**	**3,059**	**3,514**	**(105)**	**3,409**
Included in income statement	**(311)**	**(4)**	**(315)**	157	(3)	**154**
Included in Other comprehensive income:						
Actuarial (gains) losses from:	-	-	**-**			
- demographic assumptions	38	-	**38**	(59)	-	**(59)**
- financial assumptions	(248)	-	**(248)**	197	-	**197**
- other	(24)	-	**(24)**	(4)	-	**(4)**
Return on assets	-	9	**9**	-	(14)	**(14)**
Exchange differences	105	(7)	**98**	(403)	17	**(386)**
Other:						
Contribution by employer	-	-	**-**	-	(50)	**(50)**
Contribution by plan participants	7	-	**7**	7	-	**7**
Benefits paid	(181)	31	**(150)**	(197)	2	**(195)**
Transfer to liabilities held for sale	(2)	-	**(2)**	-	-	**-**
Other changes	(2)	-	**(2)**	-	-	**-**
Present value of obligation at 31 December	**2,594**	**(124)**	**2,470**	**3,212**	**(153)**	**3,059**

Amounts recognised in the Consolidated Income Statement were as follows:

(€ million)	At 31 December	
	2018	2017
Current service cost	27	27
Interest expenses	108	130
Interest income	(4)	(3)
Past service costs (income) and (gains) losses arising from settlements/curtailments	(446)	-
Total recognised in the Consolidated Income Statement	**(315)**	**154**

Healthcare and life insurance plans are accounted for on an actuarial basis, which requires the selection of various assumptions. In particular, it requires the use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as healthcare cost increases and demographic experience.

The fair value of plan assets by class is as follows:

(€ million)	At 31 December			
	2018		2017	
	Amount	of which have a quoted market price in an active market	Amount	of which have a quoted market price in an active market
Cash and cash equivalents	**21**	**-**	**49**	**12**
US equity securities	51	14	53	16
Non-US equity securities	-	-	-	-
Equity instruments	**51**	**14**	**53**	**16**
Government securities	22	22	17	16
Corporate bonds (including convertible and high-yield bonds)	29	-	32	-
Other fixed income	1	-	2	-
Debt instruments	**52**	**22**	**51**	**16**
Insurance contracts and other	**-**	**-**	**-**	**-**
Total fair value of plan assets	**124**	**36**	**153**	**44**

The weighted average assumptions used to determine the defined benefit obligations are as follows:

(in %)	At 31 December	
	2018	2017
FCA Group		
Discount rate	3.8 – 4.4	3.6 - 3.9
Future salary increase rate	1.0 – 1.5	1.0 - 1.5
Weighted average ultimate healthcare cost trend rate	4.0 – 4.4	4.5
Average duration (years)	12 – 16	13 - 16
CNH Industrial		
Discount rate	4.12	3.53
Future salary increase rate	n/a	n/a
Weighted average initial healthcare cost trend rate	6.17	6.46
Weighted average ultimate healthcare cost trend rate	5.00	5.00
Average duration (years)	9	12

Assumed discount rates are used in measurements of pension, healthcare and other post-employment benefit obligations and net interest on the net defined benefit liability/asset. The Group selects its assumed discount rates based on the consideration of equivalent yields on high-quality fixed income investments at the measurement date. The assumed discount rate is used to discount future benefit obligations back to today's dollars. The discount rates for the U.S., European, U.K. and Canadian obligations are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled on the measurement date, 31 December. The benefit cash flow-matching approach involves analysing the Group's projected cash flows against a high quality bond yield curve, mainly calculated using a wide population of AA-grade corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria. The discount rates for Group's remaining obligations are based on benchmark yield data of high-quality fixed income investments for which the timing and amounts of payments approximate the timing and amounts of projected benefit payments.

The assumed healthcare trend rate represents the rate at which healthcare costs are assumed to increase. Rates are determined based on Group's specific experience, consultation with actuaries and outside consultants, and various trend factors including general and healthcare sector-specific inflation projections from the United States Department of Health and Human Services Healthcare Financing Administration. The initial trend is a short-term assumption based on recent experience and prevailing market conditions. The ultimate trend is a long-term assumption of healthcare cost inflation based on general inflation, incremental medical inflation, technology, new medicine, government cost-shifting, utilisation changes, an aging population, and a changing mix of medical services.

The Group uses the spot yield curve approach to estimate the service cost and net interest components by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows. Historically, the service and net interest costs were determined using a single weighted-average discount rate based on hypothetical AA yield curves used to measure the benefit obligation at the beginning of the period.

For the CNH Industrial Group, the effect of an increase or decrease of one percentage point in the assumed healthcare cost trend rates would be an increase of €22 million and decrease of €19 million, respectively, in the defined healthcare benefit obligations at 31 December 2018.

For the FCA Group, the effect of an increase or decrease of ten percentage points in the assumed healthcare cost trend rates would be an increase of €45 million and decrease of €38 million, respectively, in the defined healthcare benefit obligations at 31 December 2018.

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 €826 million at 31 December 2018 and €946 million at 31 December 2017), consisting of the residual obligation for the benefit due to employees of Italian companies until 31 December 2007, having more than 50 employees, and accrued over the employee's working life for the others, and settled when an employee leaves the Group. The schemes included in this item are unfunded.

Changes in the obligations for other post-employment benefits are the following:

	At 31 December	
(€ million)	2018	2017
Present value of obligation at 1 January	**1,320**	**1,331**
Included in income statement:		
Current service cost	16	18
Interest (income) expenses	15	14
Past service costs (income) and (gains) losses arising from settlements	-	(1)
Included in Other comprehensive income:		
Actuarial (gains) losses from:		
- demographic assumptions	(14)	21
- financial assumptions	(6)	(5)
- other	8	7
Exchange differences	(3)	(5)
Other changes:		
Benefits paid	(73)	(74)
Transfers to liabilities held for sale	(98)	-
Other changes	(37)	14
Present value of obligation at 31 December	**1,128**	**1,320**

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 weighted average discount rates that reflect the estimated timing and amount of the scheme future benefit payments for 2018 range from 1.4% to 1.7% (1.6% in 2017). 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 €41 million and increase of €46 million, respectively, in the benefit obligations at 31 December 2018.

Other provisions for employees
Other provisions for employees primarily include long-term disability benefits, supplemental unemployment benefits, variable and other deferred compensation, as well as bonuses granted for tenure at the Group.

25 Other provisions

Other provisions and their changes during the year ended 31 December 2018 are as follows:

(€ million)	At 31 December 2017	Charge	Utilisation	Transfer to liabilities held for sale	Translation differences	Release to income and other charges(1)	At 31 December 2018
Warranty and recall campaigns	7,750	3,953	(3,909)	(118)	171	(168)	7,679
Restructuring provisions	123	136	(43)	(4)	(1)	19	230
Other risks	10,259	19,223	(17,642)	(88)	203	(764)	11,191
Total other provisions	**18,132**	**22,896**	**(21,594)**	**(210)**	**373**	**(497)**	**19,100**

(1) Includes the impact of the adoption of IFRS 15.

The impact of the adoption of IFRS 15 on Other provisions as at 1 January 2018 was as follows:

(€ million)	At 31 December 2017 (as reported)	Adjustments/ Reclassification	At 1 January 2018
Warranty and recall campaigns	7,750	(123)	7,627
Restructuring provisions	123	-	123
Investment provisions	15	-	15
Other risks	10,244	(203)	10,041
Total other provisions	**18,132**	**(326)**	**17,806**

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 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.

At 31 December 2018 the product warranty and recall campaigns provision was substantially in line with 2017. During the year ended 31 December 2018, an additional amount of €113 million was accrued in relation to costs for recall campaigns related to Takata airbag inflators, net of recovery. At 31 December 2017, the product warranty and recall campaigns provision included €137 million of charges recognised within cost of revenues in the consolidated income statement for the year ended 31 December 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.

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 detail is as follows:

(€ million)	At 31 December 2018	2017
Sales incentives	7,159	6,490
Legal proceedings and other disputes	1,636	1,046
Commercial risks	943	1,304
Other provisions for risks and charges	1,453	1,419
Total other risks	**11,191**	**10,259**

In particular, the provision refers to:

- sales incentives: relating to the estimated amount of sales consideration to be reversed to the Group's dealer networks if the dealers achieve a specific cumulative level of sales transactions during the calendar year;
- legal proceedings and other disputes: this provision including legal proceedings arising in the ordinary course of business with dealers, customers, suppliers or regulators (such as contractual or patent disputes), legal proceedings involving claims with active and former employees and legal proceedings involving different tax authorities;
- commercial risks: relating to sale of products and services such as onerous maintenance contracts and as a result of certain regulatory emission requirements;
- other provisions for risks and charges which includes environmental risks, indemnities, provisions for disputes with suppliers, provision for product liabilities, contract related disputes or other disputes not subject to legal proceedings.

26 Technical reserves reinsurance companies

Technical reserves reinsurance companies at 31 December 2018 and 2017 are as follows:

(€ million)	At 31 December 2018	2017
Unpaid losses and Loss expenses	8,642	8,423 (1)
Life and health technical reinsurance reserves	1,920	1,750 (1)
Unearned premium reserves	1,810	1,517
Total Technical reinsurance reserves	**12,372**	**11,690**

(1) Effective 1 July 2018, the executive management responsibility and reporting for the U.S. Health business was internally reallocated and hence corresponding reserves have been reallocated from 'life and health technical reinsurance reserves' to 'unpaid losses and loss expenses'. Comparatives have been restated accordingly.

Unpaid Losses and Loss Expenses

Unpaid losses and loss expenses are categorised into three types of reserves: Case reserve, ACRs and IBNR reserves. Case reserves represent unpaid losses reported by the Company's cedants and recorded by the Company. ACRs are established for particular circumstances where, on the basis of individual loss 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 years ended at 31 December 2018 and 2017 is as follows:

(€ million)	2018	2017
Gross liability at 1 January	8,423	8,773
Reinsurance recoverable at 1 January	(600)	(280)
Net reserves at 1 January	**7,823**	**8,493**
Net incurred losses	2,683	2,660
Change in Paris Re Reserve Agreement	(337)	(3)
Net paid losses	(2,474)	(2,636)
Translation differences and other changes	204	(691)
Net liability at 31 December	**7,899**	**7,823**
Reinsurance recoverable at 31 December	743	600
Gross liability at 31 December	**8,642**	**8,423**

Life and health technical reinsurance reserves

The reconciliation of the beginning and ending gross and net liability for life and health technical reinsurance reserves for the years ended at 31 December 2018 and 2017 is as follows:

(€ million)	2018	2017
Gross liability at 1 January	1,750	1,634
Reinsurance recoverable at 1 January	(7)	(2)
Net reserves at 1 January	**1,743**	**1,632**
Liabilities acquired related to the acquisition of Aurigen	-	60
Net incurred losses	868	739
Net paid losses	(693)	(632)
Translation differences	(8)	(56)
Net liability at 31 December	**1,910**	**1,743**
Reinsurance recoverable at 31 December	10	7
Gross liability at 31 December	**1,920**	**1,750**

Reserves for unearned premiums

The reconciliation of the beginning and ending reserves for unearned premiums for the years ended 31 December 2018 and 2017 is as follows:

(€ million)	2018	2017
Reserves at 1 January	1,517	1,541
Net premiums written	4,914	4,531
Net premiums earned	(4,669)	(4,447)
Translation differences	48	(108)
Unearned premium reserves at 31 December	**1,810**	**1,517**

27 Financial debt and other financial liabilities

Total financial debt and other financial liabilities at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	2018	2017
Financial debt	43,240	46,441
Other financial liabilities	336	255
Total financial debt and other financial liabilities	**43,576**	**46,696**

Other financial liabilities related to derivative financial liabilities and are discussed further in Note 28, *"Other financial assets and other financial liabilities"*.

The composition of financial debt is as follows:

	At 31 December	
(€ million)	2018	2017
Notes	20,470	22,103
Borrowings from banks	9,143	11,239
Asset-backed financing	10,981	10,943
Payables represented by securities	1,551	826
Other financial debt	1,095	1,330
Total financial debt	**43,240**	**46,441**

The composition of financial debt by entity is as follows:

(€ million)	At 31 December 2018	2017
Exor	3,498	3,227
FCA	14,593	18,007
CNH Industrial	21,469	21,772
Ferrari	1,928	1,806
PartnerRe	1,328	1,273
Juventus	424	356
Total financial debt	**43,240**	**46,441**

Notes

The composition of notes at 31 December 2018 and 2017 is as follows:

	Currency	Face value outstanding (in millions)	Coupon	Maturity	At 31 December 2018 Outstanding amount (in € million)	2017
EXOR N.V.						
EXOR N.V.	€	150	4.75%	Oct 2019	151	151
EXOR N.V.	€	200	3.375%	Nov 2020	200	200
EXOR N.V.	€	750	2.125%	Dec 2022	747	746
EXOR N.V.	€	650	2.50%	Oct 2024	653	652
EXOR N.V.	€	100	5.25%	Jan 2025	103	103
EXOR N.V.	€	450	2.875%	Dec 2025	452	452
EXOR N.V.	$	170	4.398% 6 months	May 2026	149	142
EXOR N.V.	€	500	1.75%	Jan 2028	500	-
EXOR N.V.	€	200	3.125'%	Feb 2028	201	-
EXOR N.V.	Yen	10,000	2.80% 6 months	May 2031	80	75
Total EXOR Notes					**3,236**	**2,521**
Medium Term Note Programme (MTNP)						
FCA Group	€	4,857	3.75% - 7.375%	Sep 2019- Mar 2024	4,857	6,707
FCA Group	CHF	250	3.125%	Sep 2019	222	213
CNH Industrial Group	€	3,354	1.375% - 3.875%	Mar 2019 - Apr 2028	3,354	3,975
Total Medium Term Notes					**8,433**	**10,895**
Other Notes						
FCA Group	$	3,000	4.5% - 5.25%	Apr 2020 - Apr 2023	2,620	2,502
CNH Industrial Group	$	4,100	3.375% - 4.875%	Jul 2019 - Nov 2027	3,581	3,502
Ferrari Group	€	1,200	0.25% - 1.5%	Jan 2021 - Mar 2023	1,185	1,186
PartnerRe Group	$	563	5.50%	Jun 2020 - Dec 2066	512	498
PartnerRe Group	€	750	1.25%	Sep 2026	741	738
Total Other Notes					**8,639**	**8,426**
Hedging effect and amortised cost valuation					**162**	**261**
Total Notes					**20,470**	**22,103**

The new notes issued and notes repaid during 2018 were as follows:

New Issues	Currency	Nominal Amount (in millions)	Coupon	Issue Date	Maturity
Company					
EXOR N.V.	€	500	1.750%	Jan 2018	Jan 2028
EXOR N.V.	€	200	3.125%	Feb 2018	Jan 2028
CNH Industrial Group – Other	$	500	4.200%	Aug 2018	Jan 2024
CNH Industrial Group – MTNP	€	500	1.875%	Sep 2018	Jan 2026

Repayment	Name of Notes	Currency	Amount (in millions)	Repayment date
Company				
FCA	MTNP	€	1,250	Mar 2018
FCA	MTNP	€	600	July 2018
CNH Industrial	MTNP	€	268	Dec 2018

Medium Term Note Programme
The Medium Term Note Programmes of FCA and CNH Industrial are for a maximum of €20 billion and €10 billion respectively. At 31 December 2018 notes outstanding under this programme for FCA were €5.1 billion (€6.9 billion at 31 December 2017) and €3.4 billion for CNH Industrial (€4.0 billion at 31 December 2017). Notes for the FCA group have been issued by Fiat Chrysler Finance Europe S.A., Fiat Chrysler North America Inc and FCA NV. The notes have been issued in Euro and CHF and are guaranteed by FCA N.V.

The notes of CNH Industrial are in Euro and have been issued by CNH Industrial Finance S.A and are guaranteed by CNH Industrial N.V.

Notes issued under the Medium Note Programme are generally listed on either the Irish or Swiss stock exchanges.

Other Notes
Other notes include the following:
- Notes issued by FCA N.V. in 2015 in two tranches each of $1.5 billion due in April 2020 and April 2023 respectively. These notes rank pari passu in right of payment with respect to all of FCA NV's existing and future senior unsecured indebtedness and senior in right of payment to any of FCA NV's future subordinated indebtedness and existing indebtedness, which is by its terms subordinated in right of payment to these notes.
- Notes issued by CNH Capital LLC for a total nominal value of $3.0 billion and $1.1 billion by Case New Holland Industrial Inc.
- Notes issued by Ferrari in 2016 and 2017 for a principal amount of €500 million and €700 million respectively which mature in 2023 and 2021 respectively. These notes are listed on the Irish stock exchange.
- $500 million senior notes issued by PartnerRe Finance B LLC and €750 million of senior secured notes issued by PartnerRe Ireland Finance DAC maturing in June 2020 and September 2026, respectively. These notes are senior unsecured obligations of the respective issuer and are guaranteed by PartnerRe.
- $63 million junior subordinated capital efficient notes issued by PartnerRe Finance II Inc. These notes mature in 2066 and since 2016 are redeemable at the option of the issuer. The notes are ranked as junior subordinated unsecured obligations of PartnerRe Finance II Inc and are guaranteed by PartnerRe.

Borrowings from banks
Borrowings from banks at 31 December 2018 amount to €9,143 million (€11,239 million at 31 December 2017). The composition is as follows:

	At 31 December	
(€ million)	**2018**	**2017**
EXOR	30	464
FCA Group	5,246	6,948
CNH Industrial Group	3,644	3,575
Ferrari Group	37	38
Juventus	186	214
Total Borrowings from banks	**9,143**	**11,239**

EXOR
Borrowings from banks relate to short term credit lines for an amount of €30 million (€464 million at 31 December 2017) from various credit institutions.

FCA Group
Bank borrowings of the FCA Group at 31 December 2018 include the following:
- €2.3 billion (€3.2 billion at 31 December 2017) relating to various local bank facilities of FCA Brazilian subsidiaries. These facilities include subsidised loans of €1.4 billion (€2.1 billion at 31 December 2017) granted by public financing institutions such as Banco Nacional do Desenvolvimento to support industrial projects. An amount of €1.0 billion (€1.3 billion at 31 December 2017) under the subsidised loans is related to the construction of the plant in Pernambuco.

- Finance agreements with the European Investment Bank for a total amount outstanding of €0.7 billion (€1.1 billion at 31 December 2017) primarily related to investments for research and development activities in Italy and an investment program in Serbia.
- €0.3 billion (€0.4 billion at 31 December 2017) relating to a non-revolving loans agreement of FCA Mexico S.A. de C.V. maturing on March 2022. This loan requires maintenance of certain covenants and to maintain certain fixed and other assets as collateral. FCA Mexico was in compliance with such covenants at 31 December 2018 and 2017.

Amounts outstanding at 31 December 2017 also included €836 million under FCA US's Tranche B Term Loan which were repaid during 2018.

CNH Industrial Group
Bank Borrowings of CNH Industrial Group consists primarily of borrowings from banks which are at various terms and rates. These borrowings include approximately $1.5 billion ($1.6 billion at 31 December 2017) of funding provided by the Brazilian development agency, Banco Nacional de Desenvolvimento Econômico e Social (BNDES). The program provides subsidised funding to financial institutions to be loaned to customers to support the purchase of agricultural or construction machinery in accordance with the program.

Ferrari
Bank borrowings of Ferrari include loans secured by FFF Inc, to support financial services operations comprising €31 million drawn down under a US$ denominated credit facility (€29 million at 31 December 2017) and other short term and medium term credit facilities.

Juventus
Bank borrowings of Juventus at 31 December 2018 mainly relate to €94 million drawn down (€179 million at 31 December 2017) under revocable credit lines.

Undrawn Credit Facilities
The principal undrawn committed credit facilities of the Group at 31 December 2018 are as follows:

	At 31 December	
(€ billion)	**2018**	**2017**
EXOR	0.4	0.4
FCA Group	7.7	7.6
CNH Industrial Group	2.7	2.7
Ferrari Group	0.5	0.5
PartnerRe	0.5	0.5
Juventus	0.1	0.1

The main committed credit facilities are as follows:

- FCA €6.25 billion revolving credit facility with a final maturity in March 2023;
- CNH Industrial €1.75 billion revolving credit facility expiring in June 2021. The facility is guaranteed by CNH Industrial N.V. with cross guarantees from each of the borrowers;
- Ferrari €500 million revolving credit facility expiring in November 2021 guaranteed by Ferrari N.V.;
- Partner Re $300 million credit facility with the first $100 million being unsecured and the remainder secured. This facility matures each year on November 14 and unless cancelled by either party automatically renews. Other secured credit facilities for an amount of $200 million. Partner Re maintains committed secured letter of credit facilities which must be fully secured with cash and or government bonds and or investment grade bonds.

Covenants
Financial liabilities and the revolving credit facility agreements may impose covenants on the issuer and in certain cases on the guarantor, which are typical of international practice for similar liabilities.

The covenants vary from facility to facility and may include among others: (i) negative pledge clauses which require that, in case any security interest upon assets of the issuer is granted in connection with other notes or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding notes, subject to certain permitted exceptions; (ii) *pari passu* clauses, under which the debt rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the issuer; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the debt under certain events of default on other financial instruments of the relevant issuer, (v) limitation of new real guarantees and assets sale on certain company's assets without the consent of the creditor (vi) limitation on incurrence of liens (vii) limitations on incurrence, repayment and prepayment of indebtedness and (iv) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the underlying indebtedness.

At 31 December 2018 and 2017 the Group was in compliance with all covenants under its debt agreements.

Asset-backed financing

Asset backed financing represents the amount of financing received through factoring transactions which do not meet the derecognition requirements and are recognised as assets for the same amount and amounts payable under securitisation programs. Asset backed financing is comprised as follows:

	At 31 December	
(€ million)	**2018**	**2017**
FCA Group	457	357
CNH Industrial Group	9,842	10,030
Ferrari Group	682	556
Total asset backed financing	**10,981**	**10,943**

Cash collected from the settlement of receivables or lines of credit pledged as collateral for asset backed financing is subject to certain restrictions regarding its use and is principally applied to repay principal and interest of the funding.

Payables represented by securities

At 31 December 2018 payables represented by securities amount to €1,551 million (€826 million at 31 December 2017).

Other financial debt

At 31 December 2018 other financial debt amount to €1,777 million (€1,330 million at 31 December 2017) and includes finance lease payables for €262 million (€283 million at 31 December 2017) as detailed:

	At 31 December	
(€ million)	**2018**	**2017**
Due within one year	57	76
Due between one and five years	131	136
Due beyond five years	74	71
Present value of minimum lease payments	**262**	**283**

EXOR established its first Euro-Commercial Paper Program (ECP Program) on 15 May 2018 allowing it to issue short-term notes with maturity of up to 364 days and a maximum amount outstanding of €500 million. The program enables EXOR to achieve greater diversification of its funding sources in the capital markets and enhance its liquidity management. At 31 December 2018, €230 million of other financial debt related to such commercial papers

Debt secured by assets

Debt secured by assets is as follows:

	At 31 December	
(€ million)	**2018**	**2017**
FCA Group	1,095	1,348
CNH Industrial Group	34	35
Total debt secured by assets	**1,129**	**1,383**

Debt secured by assets of the FCA group at 31 December 2018 mainly relates to €261 million due to creditors for assets under financing agreements (€281 million at 31 December 2017) and subsidised financing in Latin America. At 31 December 2017 this also includes €836 million for the Tranche B Term Loan repaid in 2017.

In addition, at 31 December 2018 the Group's assets include current receivables to settle asset-backed financing for €10,298 million (€10,386 million at 31 December 2017) (note 20, "Transfer of financial assets").

Financial debt by due date

An analysis of financial debt by due at 31 December 2018 and 2017 is as follows:

	At 31 December							
(€ million)	2018				2017			
	Due within one year	Due between one and five years	Due beyond five years	Total	Due within one year	Due between one and five years	Due beyond five years	Total
Notes	2,798	11,333	6,339	**20,470**	3,477	11,205	7,421	**22,103**
Borrowings from banks	4,450	4,324	369	**9,143**	6,057	4,553	629	**11,239**
Asset-backed financing	6,924	4,011	46	**10,981**	7,290	3,603	50	**10,943**
Payables represented by securities	1,358	193	-	**1,551**	544	282	-	**826**
Other financial debt	629	395	71	**1,095**	959	317	54	**1,330**
Total financial debt	**16,159**	**20,256**	**6,825**	**43,240**	**18,327**	**19,960**	**8,154**	**46,441**

28 Other financial assets and other financial liabilities

The fair value of the Group's derivative financial assets and liabilities at 31 December 2018 and 2017 is as follows:

	At 31 December			
(€ million)	2018		2017	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair value hedges:				
Interest rate risk – Interest rate swaps	14	(14)	4	(7)
Currency risks	-	-	10	(1)
Total Fair value hedges	**14**	**(14)**	**14**	**(8)**
Cash flow hedges:				
Currency risks – Forward contracts, Currency swaps and Currency options	198	(122)	107	(101)
Interest rate risk – Interest rate swaps	29	(27)	8	(8)
Interest rate and currency risk – Combined interest rate and currency swap	17	(24)	9	(34)
Commodity price risk – Commodity swaps	41	(60)	30	-
Other	-	-	5	-
Total Cash flow hedges	**285**	**(233)**	**159**	**(143)**
Derivatives for trading	**102**	**(89)**	**177**	**(104)**
Collateral deposits	**62**	**-**	**61**	**-**
Total other financial assets and other financial liabilities	**463**	**(336)**	**411**	**(255)**

The analysis of outstanding notional amounts of derivative financial instruments by due date, at 31 December 2018 and 2017 is as follows:

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
At 31 December 2018				
Currency risk management	16,058	370	-	**16,428**
Interest rate risk management	1,730	3,261	717	**5,708**
Interest rate and currency risk management	236	34	79	**349**
Commodity price risk management	943	42	-	**985**
Total notional amount	**18,967**	**3,707**	**796**	**23,470**
At 31 December 2017				
Currency risk management	14,606	154	-	**14,760**
Interest rate risk management	1,581	1,753	101	**3,435**
Interest rate and currency risk management	-	291	71	**362**
Commodity price risk management	455	6	-	**461**
Total notional amount	**16,642**	**2,204**	**172**	**19,018**

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 recognised in accordance with fair value hedge accounting.

Gains and losses arising from respective hedged items at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Currency risk		
Net gains (losses) on qualifying hedges	(93)	104
Fair value changes in hedged items	93	(104)
Interest rate risk		
Net gains (losses) on qualifying hedges	15	(20)
Fair value changes in hedged items	(15)	21
Net gains (losses) on fair value hedges recognised in the income statement	**-**	**1**

Cash flow hedges

The effects recognised 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.

With respect to cash flow hedges, the Group reclassified gains of €121 million in 2018 (loss of €61 million in 2017), net of the tax effect, from other comprehensive income to the consolidated income statement. These amounts are reported on the following lines of the income statement as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Currency risk		
Increase (Decrease) in net revenues	98	41
Decrease (Increase) in cost of sales	(5)	(145)
Result from investments	27	27
Financial income (expenses)	19	(13)
Interest rate risk		
Decrease (Increase) in cost of sales	(4)	(3)
Financial income (expenses)	-	(3)
Commodity price risk		
Decrease (Increase) in cost of sales	30	31
Taxes - income (expenses)	(39)	-
Ineffectiveness – overhedges	(5)	4
Net gains (losses) on cash flow hedges recognised in the income statement	**121**	**(61)**

Net investment hedges

In order to manage the FCA Group's foreign currency risk related to its investments in foreign operations, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. For the year ended 31 December 2018 net gains of €17 million (gains of €15 million at 31 December 2017) related to the net investment hedges were recognised in Other comprehensive income and were reflected within Currency translation differences. At 31 December 2018, there were no outstanding net investment hedges. There was no ineffectiveness for the year ended 31 December 2017.

Derivatives for trading

At 31 December 2018 and 2017 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).

29 Trade payables

The analysis of trade payables by due date at 31 December 2018 and 2017 is as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Due within one year	25,060	27,592
Due between one and five years	27	20
Due beyond five years	1	-
Total payables	**25,088**	**27,612**

30 Other liabilities

Other liabilities at 31 December 2018 and 2017 are as follows:

	At 31 December	
(€ million)	2018	2017
Payable for buy-back agreements	3,994	4,820
Indirect tax payables	1,235	1,396
Payables to personnel	1,260	1,306
Social security payables	422	491
Amounts due to customers for contract work	83	180
Accrued expenses and deferred income	5,596	4,650
Other	2,467	2,835
Total other liabilities	**15,057**	**15,678**

The impact of the adoption of IFRS 15 on Other liabilities as at 1 January 2018 was as follows:

(€ million)	At 31 December 2017 (as reported)	Adjustments/ reclassification	At 1 January 2018
Payable for buy-back agreements	4,820	(1,065)	3,755
Indirect tax payables	1,396	-	1,396
Payables to personnel	1,306	-	1,306
Social security payables	491	-	491
Amounts due to customers for contract work	180	-	180
Accrued expenses and deferred income	4,650	1,270	5,920
Other	2,835	31	2,866
Total other liabilities	**15,678**	**236**	**15,914**

Payables for buy-back agreements refers to buy-back agreements entered into by the Group and includes the price received for the product recognised as an advance at the date of the sale, and subsequently, the repurchase price and the remaining lease installments yet to be recognised.
Accrued expenses and deferred income includes the remaining portion of government grants that will be recognised as income in the Consolidated Income Statement over the same periods as the related costs which they are intended to offset.

On 15 March 2017, the Brazilian Supreme Court ruled that state value added tax should be excluded from the basis for calculating a federal tax on revenue. At 30 June 2017 the Group determined that the likelihood of economic outflow related to such indirect taxes was no longer probable and the total liability of €895 million that FCA had accrued but not paid for such taxes for the period from 2007 to 2014 was reversed. The Brazilian Supreme Court issued summary written minutes of its ruling on 29 September 2017 and Trial Minutes on 2 October 2017. On 19 October 2017, the Brazilian government filed its appeal against the PIS/COFINS over ICMS decision. At 31 December 2017, due to the uncertainty of scope of the application of the Supreme Court ruling taking into account the government's appeal and request for modulation, and due to Brazil's current heightened political and economic uncertainty, management believed a risk of economic outflow was still greater than remote. On 18 August 2018, the litigation concerning PIS over ICMS had its final and definitive favourable decision. At 30 September 2018, the FCA Group determined that the likelihood of economic outflow related to such indirect taxes was no longer probable and the total liability of €54 million accrued and paid will be recovered.

At 31 December 2018, management believes a risk of economic outflow for COFINS over ICMS is still greater than remote. The analysis of other liabilities (excluding accrued expenses and deferred income) by due date at 31 December 2018 and 2017 is as follows:

(€ million)	At 31 December							
	2018				2017			
	Due within one year	Due between one and five years	Due beyond five years	Total	Due within one year	Due between one and five years	Due beyond five years	Total
Other liabilities (excluding accrued expenses and deferred income)	7,989	1,368	104	**9,461**	8,897	2,032	99	**11,028**

31 Guarantees granted, commitments and contingent liabilities

Guarantees granted by the FCA Group

At 31 December 2018, the FCA Group had pledged guarantees on the debt or commitments of third parties totaling €7 million (€5 million at 31 December 2017), as well as guarantees of €3 million on related party debt (€4 million at 31 December 2017).

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.

The SCUSA Agreement has a ten-year term from February 2013, subject to early termination in certain circumstances, including the failure by a party to comply with certain of its ongoing obligations under the SCUSA Agreement. In accordance with the terms of the agreement, SCUSA provided an upfront, non-refundable payment of €109 million ($150 million) in May 2013, which was recognised as deferred revenue and is amortised over ten years. At 31 December 2018, €57 million ($65 million) remained in deferred revenue.

From time to time, FCA US works with certain lenders to subsidise interest rates or cash payments at the inception of a financing arrangement to incentivise customers to purchase its vehicles, a practice known as "subvention". FCA US has provided SCUSA with limited exclusivity rights to participate in specified minimum percentages of certain of its retail financing rate subvention programs. SCUSA has committed to certain revenue sharing arrangements, as well as to consider future revenue sharing opportunities. SCUSA bears the risk of loss on loans contemplated by the SCUSA Agreement. The parties share in any residual gains and losses in respect of consumer leases, subject to specific provisions in the SCUSA Agreement, including limitations on FCA US participation in gains and losses.

Other repurchase obligations

In accordance with the terms of other wholesale financing arrangements in Mexico, FCA Mexico is required to repurchase dealer inventory financed under these arrangements, upon certain triggering events and with certain exceptions, including in the event of an actual or constructive termination of a dealer's franchise agreement. These obligations exclude certain vehicles including, but not limited to, vehicles that have been damaged or altered, that are missing equipment or that have excessive mileage or an original invoice date that is more than one year prior to the repurchase date. In December 2015, FCA Mexico entered into a ten-year private label financing agreement with FC Financial, S.A De C.V., Sofom, E.R., Grupo Financiaro Inbursa ("FC Financial"), a wholly owned subsidiary of Banco Inbursa, under which FC Financial provides a wide range of financial wholesale and retail financial services to FCA Mexico's dealers and retail customers under the FCA Financial Mexico brand name. The wholesale repurchase obligation under the new agreement will be limited to wholesale purchases in case of actual or constructive termination of a dealer's franchise agreement.

At 31 December 2018, the maximum potential amount of future payments required to be made in accordance with these wholesale financing arrangements was approximately €206 million ($236 million) and was based on the aggregate repurchase value of eligible vehicles financed through such arrangements in the respective dealer's stock.

If vehicles are required to be repurchased through such arrangements, the total exposure would be reduced to the extent the vehicles can be resold to another dealer. The fair value of the guarantee was nil at 31 December 2018.

Arrangements with key suppliers
From time to time and in the ordinary course of our business, the FCA Group enters into various arrangements with key third party suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services with fixed and determinable price provisions. Future minimum purchase obligations under these arrangements at 31 December 2018 were as follows for the FCA Group's continuing operations:

	(€ millions)
2019	804
2020	508
2021	349
2022	216
2023	32
2024 and thereafter	42

Guarantees granted by the CNH Industrial Group
At 31 December 2018 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 €411 million (€307 million at 31 December 2017).

Guarantees granted by the PartnerRe Group
At 31 December 2018 approximately €3,448 million (€3,082 million at 31 December 2017) of cash and cash equivalents and securities of the PartnerRe Group were deposited, pledged or held in escrow accounts in favour of ceding companies and other counterparties of government authorities to comply with regulations on reinsurance contracts and insurance laws.

Commitments of the FCA Group arising from contractual arrangements

UAW Labour Agreement
In October 2015, FCA US and the UAW agreed to a 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 was effective for the 2016 plan year and is directly aligned with NAFTA profitability. The agreement included lump-sum payments in lieu of further wage increases of primarily $4,000 for "Traditional" employees and $3,000 for "In-progression" employees totaling approximately $141 million (€127 million) that was paid to UAW members on 6 November 2015. These payments are being amortised ratably over the four-year labour agreement period.

Italian Labour Agreement
In April 2015, a four-year compensation agreement was signed by FCA companies within the automobiles business in Italy. The compensation agreement was subsequently included into the labour agreement and was extended to all FCA companies in Italy on 7 July 2015. The compensation arrangement was effective retrospectively from 1 January 2015 through 31 December 2018 and incentivised all employees toward achievement of the productivity, quality and profitability targets established in the 2015-2018 period of the 2014-2018 business plan developed in May 2014 by adding two variable additional elements to base pay:

- an annual bonus, calculated on the basis of production efficiencies achieved and the plant's World Class Manufacturing audit status; and
- a component linked to achievement of the financial targets established in the 2015-2018 period of the 2014-2018 business plan for the EMEA region, including the activities of the premium brands Alfa Romeo and Maserati.

A total of €72 million and €105 million related to the additional variable elements above was recorded as an expense included within Net profit from continuing operations for the years ended 31 December 2018 and 2017, respectively. Negotiations for the renewal of this labour contract commenced on 29 November 2018.

Canada Labour Agreement
FCA entered into a four-year labour agreement with Unifor in Canada that was ratified on 16 October 2016. The terms of this agreement provide a two percent wage increase in the first and fourth years of the agreement for employees hired prior to 24 September 2012 and will continue to close the pay gap for employees hired on or after 24 September 2012 by revising a ten-year progressive pay scale plan. The agreement includes a lump sum payment in lieu of further wage increases of 6,000 Canadian dollars ("CAD$") per employee totaling approximately CAD$55 million (approximately €38 million) that was paid to Unifor members on 4 November 2016. These payments will be amortised ratably over the four-year labour agreement period. The agreement expires in September 2020.

Commitments of the Ferrari Group arising from contractual arrangements
Arrangements with key suppliers
From time to time, in the ordinary course of business, the Ferrari Group enters into various arrangements with key third party suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and /or services with fixed and determinable price provisions.

Arrangements with sponsors
Certain of the Ferrari Group's sponsorship contracts include terms whereby the Ferrari Group is obligated to purchase a minimum quantity of goods and/or services from its sponsors. Future minimum purchase obligations under these arrangements at 31 December 2018 were as follows for the Ferrari Group's continuing operations:

	(€ millions)
Due within one year	153
Due between one and three years	43
Due between three and five years	7
Due beyond five years	1
Total	**204**

Commitments of the PartnerRe Group
PartnerRe has entered into service agreements and lease contracts that provide for business and information technology support and computer equipment. Future payments under these contracts amount to $16 million, with $11 million and $4 million to be paid during 2019 and 2020 respectively, and the remainder to be paid through 2023.
PartnerRe has entered into strategic investments, including investments in VIEs, with unfunded capital commitments. In the next five years, PartnerRe expects to fund capital commitments totaling $647 million, with $321 million, $199 million, $96 million, $23 million and $8 million to be paid during 2019, 2020, 2021, 2022 and 2023 respectively as at 31 December 2018.
PartnerRe has committed to a 10 year structured letter of credit facility issued by a high credit quality international bank, which has a final maturity of 29 December 2020. At 31 December 2018 and 2017 PartnerRe's participation in the facility was $67 million and $67 million respectively.

At 31 December 2018 the letter of credit facility has not been drawn down and can only be drawn down in the event of certain specific scenarios, which PartnerRe considers remote. Unless canceled by the bank, the credit facility automatically extends for one year, each year until maturity.

Commitments of Juventus
The commitments of Juventus included guarantees received from leading credit institutions of €14 million (€97 million at 31 December 2017) issued to guarantee the payables arising from the acquisition of players' registration rights (€7 million), the infrastructure works under the Agreed Executive Plan of the Continassa Area (€5 million) and other commitments (€2 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 31 December 2018 the total future minimum lease payments under non-cancellable operating lease contracts are as follows:

	At 31 December	
(€ million)	**2018**	**2017**
Due within one year	491	452
Due between one and five years	831	942
Due beyond five years	384	443
Future minimum lease payments under operating lease contracts	**1,707**	**1,837**

During 2018 the Group recorded costs for lease payments of €583 million (€427 million in 2017).

Pending litigation and contingent liabilities

As a global group with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, environmental risks and tax matters, dealer and supplier relationships and intellectual property rights. The outcome of any proceedings cannot be predicted with certainty. These risks arise from pending legal proceedings or requests received by the Group seeking recovery for damage to property, personal injuries and in some cases include a claim for exemplary or punitive damage. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Group's financial position and results. The Company's reinsurance subsidiaries, and the insurance and reinsurance industry in general, are subject to litigation and arbitration in the normal course of their business operations. In addition to claims litigation, the Company and its subsidiaries may be subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties. This category of business litigation typically involves, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. While the outcome of business litigation cannot be predicted with certainty, the Company will dispute all allegations against the Company and/or its subsidiaries that management believes are without merit.

Contingent liabilities of the FCA Group

Takata airbag inflators

We are aware of putative class action lawsuits filed in March 2018 against FCA US in the U.S. District Courts for the Southern District of Florida and the Eastern District of Michigan, asserting claims under federal and state laws alleging economic loss due to Takata airbag inflators installed in certain of our vehicles. At this early stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Rear impact litigation

On 9 July 2012, a lawsuit was filed against FCA US in the Superior Court of Decatur County, Georgia, U.S., 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 2 April 2015, a jury found in favour of the plaintiffs and the trial court entered a judgment against FCA US in the amount of $148.5 million (€141 million). On 24 July 2015, the Court issued a remittitur reducing the judgment against FCA US to $40 million (€38 million).

While FCA US respects the decision of the jury, the Company appealed the final judgment issued by the judge. FCA US believes the judgment was not supported by the evidence or the law. 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 has submitted extensive data to NHTSA validating that the vehicle performs as well as, or better than, peer vehicles in impact studies. During the trial, however, the judge did not permit FCA US to introduce for the jury's consideration, all data previously provided to NHTSA along with other key evidence, demonstrating the vehicle's fuel system is not defective.

On 15 November 2016, the Georgia Court of Appeals affirmed the Court's verdict and judgment of $40 million (€38 million). On 15 March 2018, the Georgia Supreme Court affirmed the judgment of the Georgia Court of Appeals. FCA US declined to pursue further appeals and the final amount of the outstanding judgment, including accrued interest, did not materially exceed our existing provisions.

Emissions Matters

On 10 January 2019, we announced that FCA US reached final settlements on civil, environmental and consumer claims with the U.S. Environmental Protection Agency ("EPA"), U.S. Department of Justice, the California Air Resources Board, the State of California, 49 other States and U.S. Customs and Border Protection, for which we have accrued €748 million, of which approximately €350 million will be paid in civil penalties to resolve differences over diesel emissions requirements. We also announced that FCA US had reached settlements in connection with a putative class action on behalf of consumers in connection with which FCA US agreed to pay an average of $2,800 per vehicle for each eligible customer affected by the recall.

We remain subject to diesel emissions-related investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice, Criminal Division. In addition, we remain subject to a number of related private lawsuits and the potential for additional claims by consumers who choose not to participate in the class action settlement.

We have also received inquiries from other regulatory authorities in a number of jurisdictions as they examine the on-road tailpipe emissions of several automakers' vehicles and, when jurisdictionally appropriate, we continue to cooperate with these governmental agencies and authorities.

In Europe, we have 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. We also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for our vehicles, and we discussed the KBA reported test results, our emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its exclusive jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. Thereafter, mediations have been held under European Commission ("EC") rules, between the MIT and the German Ministry of Transport and Digital Infrastructure, which oversees the KBA, in an effort to resolve their differences. The mediation was concluded with no action being taken with respect to FCA. In May 2017, the EC announced its intention to open an infringement procedure against Italy regarding Italy's alleged failure to respond to EC's concerns regarding certain FCA emission control calibrations. The MIT has responded to the EC's allegations by confirming that the vehicles' approval process was correctly performed.

In addition, at the request of the French Consumer Protection Agency, the Juge d'Instruction du Tribunal de Grande Instance of Paris is investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws. In December 2018, the Korean Ministry of Environment announced its determination that 2,428 FCA vehicles imported in Korea during 2015, 2016 and 2017 were not emissions compliant and that the vehicles with a subsequent update of the emission control calibrations voluntarily performed by FCA, although compliant, would have required re-homologation of the vehicles concerned.

The results of the unresolved inquiries and private litigation cannot be predicted at this time and these inquiries and litigation may lead to further enforcement actions, penalties or damage awards, any of which may have a material adverse effect on our business, results of operations and reputation. It is possible that the resolution of these matters may adversely affect our reputation with consumers, which may negatively impact demand for our vehicles and could have a material adverse effect on our business, financial condition and results of operations. At this stage, we are unable to evaluate the likelihood that a loss will be incurred with regard to the unresolved inquiries and private litigation or estimate a range of possible loss.

Safety Recall and Emissions-related Securities Class Action Lawsuit

On 11 September 2015, a putative securities class action complaint was filed in the U.S. District Court for the Southern District of New York against us alleging material misstatements regarding our compliance with regulatory requirements and that we failed to timely disclose certain expenses relating to our vehicle recall campaigns. On 5 October 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 17 February 2017, the plaintiffs amended their complaint to allege material misstatements regarding emissions compliance. On 13 November 2017, the Court denied our motion to dismiss the emissions-related claims. On 15 June 2018, the Court certified a class of our stockholders in the case. On 4 February 2019, we entered into an agreement in principle to settle the litigation contingent on court approval and our insurers' confirmation for an amount within the coverage limits of our applicable insurance policies. As such, any potential loss is not material to the Group.

U.S. Sales Reporting Investigations

On 18 July 2016, we confirmed that the U.S. Securities and Exchange Commission had commenced an investigation into our 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 we generally recognise revenues based on shipments to dealers and other customers and not on vehicle unit sales to consumers. We continue to cooperate with these investigations; however their outcome is uncertain and cannot be predicted at this time. At this stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

As previously reported, two putative securities class action lawsuits were filed against us in the U.S. District Court for the Eastern District of Michigan making allegations with regard to our reporting of vehicle unit sales to end consumers in the U.S. These lawsuits have been consolidated into a single action and on 4 October 2018, we entered into an agreement in principle to settle the consolidated litigation, subject to court approval, for an amount that is not material to the Group.

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. We continue 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. Those actions have been dismissed at the trial court stage, but remain subject to appeal. At this stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Contingent liabilities of the CNH Industrial Group

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. When it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, CNH Industrial recognises specific provisions for this purpose. At 31 December 2018, contingent liabilities estimated by the CNH Industrial Group amount to approximately €43 million (approximately €32 million at 31 December 2017), for which no provisions have been recognised since an outflow of resources is not considered probable at the present time.

Contingent liabilities of the Ferrari Group

Takata airbag inflator recalls

On 4 May 2016, the United States National Highway Traffic Safety Administration (“NHTSA”) published an amendment (the “Amendment”) to the 3 November 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 16 May 2016, Takata submitted a defect information report (“DIR”) to NHTSA declaring the non-desiccated PSAN airbag inflators, including those sold by Takata to the Ferrari Group, defective.

Although the Ferrari 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 Ferrari 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 3 January 2017, the Group filed an additional DIR on 10 January 2017 to also include certain cars produced in 2012. As a result of internal assessments, in 2016 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 recognised within cost of sales in the year ended 31 December 2016. At 31 December 2018, the provision amounted to €25 million (€35 million at 31 December 2017), reflecting the current best estimate for future costs related to the entire recall campaign to be carried out by the Ferrari Group. The decrease in the provision relates to ongoing recall activities as well as a partial release.

Legal proceedings and disputes
The provision for legal proceedings and disputes represents management’s best estimate of the expenditures expected to be required to settle or otherwise resolve legal proceedings and disputes. This class of claims relate to allegations by contractual counterparties that the Ferrari Group has violated the terms of the arrangements, including by terminating the applicable relationships. Judgments in these proceedings may be issued in 2019 or beyond, although any such judgment may remain subject to judicial review. While the outcome of such proceedings is uncertain, any losses in excess of the provisions recorded are not expected to be material to the Ferrari Group’s financial condition or results of operations.

Contingent liabilities of the PartnerRe Group
At 31 December 2018, PartnerRe was not a party to any litigation or arbitration that it believes could have a material effect on the financial condition, results of operations or liquidity of PartnerRe.

32 Fair value measurement by hierarchy

IFRS 13 - *Fair Value Measurement* establishes a hierarchy that categorises into three levels the inputs to the valuation techniques used to measure fair value by giving the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised 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.

Assets and liabilities measured at fair value on a recurring basis:

(€ million)	Level 1	Level 2	Level 3	Total
Debt securities and equity instruments measured at FVTOCI	13	35	53	**101**
Debt securities and equity instruments measured at FVTPL	298	-	165	**463**
Derivative financial assets	-	361	41	**402**
Collateral deposits	61	-	-	**61**
Receivables from financing activities[1]	-	-	968	**968**
Trade receivables	-	65	-	**65**
Investments of reinsurance companies measured at FVTPL	40	11,324	1,489	**12,853**
Money market securities[1]	4,726	-	-	**4,726**
Total Assets at 31 December 2018	**5,138**	**11,784**	**2,716**	**19,639**
Derivative financial liabilities	(24)	(309)	(3)	**(336)**
Total Liabilities at 31 December 2018	**(24)**	**(309)**	**(3)**	**(336)**
Debt securities and equity instruments measured at FVTOCI	82	41	37	**160**
Debt securities and equity instruments measured at FVTPL	223	-	-	**223**
Derivative financial assets	-	320	30	**350**
Collateral deposits	61	-	-	**61**
Investments of reinsurance companies measured at FVTPL	36	10,678	1,314	**12,028**
Total Assets at 31 December 2017	**402**	**11,039**	**1,381**	**12,822**
Derivative financial liabilities	-	(254)	(1)	**(255)**
Total Liabilities at 31 December 2017	**-**	**(254)**	**(1)**	**(255)**

(1) Amount at 31 December 2018 excludes items measured at amortised cost.

The impact of the adoption of IFRS 9 on the fair value hierarchy as at 1 January 2018 was as follows:

	At 31 December 2017 (as reported)				Adjustments/Reclassifications				At 1 January 2018 (as adjusted)			
(€ million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities and equity instruments measured at FVTOCI	82	41	37	**160**	(58)	1	11	**(46)**	24	42	48	**114**
Debt securities and equity instruments measured at FVTPL	223	-	-	**223**	65		1	**66**	288	-	1	**289**
Derivative financial assets	-	320	30	**350**	-	-	-	**-**	-	320	30	**350**
Collateral deposits	61	-	-	**61**	-	-	-	**-**	61	-	-	**61**
Receivables from financing activities	-	-	-	**-**	-	-	688	**688**	-	-	688	**688**
Trade receivables	-	-	-	**-**	-	28	-	**28**	-	28	-	**28**
Investments of reinsurance companies measured at FVTPL	36	10,678	1,314	**12,028**	-	-	-	**-**	36	10,678	1,314	**12,028**
Money market securities	-	-	-	-	2,718	-	-	**2,718**	2,718	-	-	**2,718**
Total assets	**402**	**11,039**	**1,381**	**12,822**	**2,725**	**29**	**700**	**3,454**	**3,127**	**11,068**	**2,081**	**16,276**
Derivative financial liabilities	-	(254)	(1)	**(255)**	-	-	-	**-**	-	(254)	(1)	**(255)**
Total liabilities	**-**	**(254)**	**(1)**	**(255)**	**-**	**-**	**-**	**-**	**-**	**(254)**	**(1)**	**(255)**

For assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

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 following table provides the changes in items measured at fair value classified within Level 3 for the year ended 31 December 2018:

(€ million)	At 1 January 2018	Gains (losses) recognised: In the income statement	Gains (losses) recognised: In other comprehensive income	Increase (decrease)	Net transfers into/(out of) Level 3	At 31 December 2018
Debt securities and equity instruments measured at FVTOCI	48	-	(3)	8	-	53
Debt securities and equity instruments measured at FVTPL	1	14	-	150	-	165
Derivative financial assets	30	30	9	(28)	-	41
Receivables from financing activities	688	-	-	280	-	968
Investments of reinsurance companies measured at FVTPL	1,314	(31)	-	185	21	1,489
Total Asset	**2,081**	**13**	**6**	**595**	**21**	**2,716**
Investments of reinsurance companies measured at FVTPL	(1)	-	-	(1)	-	(2)
Total Liabilities	**(1)**	**-**	**-**	**(1)**	**-**	**(2)**

Gains (losses) included in the income statement are recognised in financial income (expenses) and cost of sales. The gains (losses) recognised 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 at 31 December 2018 and 2017:

	At 31 December			
(€ million)	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Dealer financing receivables	10,224	10,224	10,690	10,688
Retail financing receivables	9,165	9,165	8,739	8,881
Finance lease receivables	462	462	498	497
Non-current debt securities	52	58	51	59
Other	417	417	482	482
Total assets	**20,320**	**20,326**	**20,460**	**20,607**
Financial liabilities				
Notes	(20,470)	(17,610)	(22,103)	(23,441)
Borrowing from banks, payables represented by securities and other financial debt	(11,789)	(11,892)	(13,395)	(13,328)
Asset-backed financing	(10,981)	(10,877)	(10,943)	(10,768)
Total liabilities	**(43,240)**	**(40,379)**	**(46,441)**	**(47,537)**

Non-current debt securities are represented by notes issued by leading counterparties, listed on active markets and therefore their fair value is categorised 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.

The fair value of the borrowing from banks, payables represented by securities and other financial debt, classified principally in Level 2, has been estimated using discounted cash flow models. The main inputs used are year-end market interest rates, adjusted for market expectations of the Group's non-performance risk implied in 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.

33 Related party transactions

The entities of each consolidated Group put in place transactions with subsidiaries, joint ventures, associates and other related parties, on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved.

Pursuant to IAS 24 the related parties of the EXOR Group are Giovanni Agnelli, the FCA Group, the CNH Industrial Group, the Ferrari Group, the PartnerRe Group and their respective unconsolidated subsidiaries, associates or joint ventures, Juventus, The Economist Group and their subsidiaries. In addition, members of the board of directors of EXOR and its parent Giovanni Agnelli and their families are also considered related parties.

Transactions carried out by the Group with unconsolidated subsidiaries, joint ventures, associates and other related parties are primarily those of a commercial nature, which have had an effect on revenues, cost of sales, and trade receivables and payables.

The most significant financial transactions with related parties generate, for the FCA Group, receivables from financing activities of the Group's financial services companies from joint ventures and asset-backed financing relating to amounts primarily due to FCA Bank for the sale of receivables which do not qualify for derecognition under IFRS 9.
In accordance with IAS 24, transactions with related parties also include compensation payable to directors, statutory auditors and executives with strategic responsibilities.

The effects of transactions with related parties recognised in the consolidated income statement of the Group for the years ended 31 December 2018 and 2017 are as follows:

	Years ended 31 December							
(€ million)	**2018**				**2017**			
	Net revenues	**Cost of sales**	**Selling, general and other (income) expenses**	**Financial income (expenses)**	**Net revenues**	**Cost of sales**	**Selling, general and other (income) expenses**	**Financial income (expenses)**
Total joint ventures	4,078	3,026	(34)	(58)	5,088	3,195	(79)	(40)
Total associates	168	230	(2)	4	228	60	(3)	3
Total other related parties	2	-	41	-	1	22	57	-
Total unconsolidated subsidiaries	7	7	10	-	62	8	14	(1)
Total related parties	**4,255**	**3,263**	**15**	**(54)**	**5,379**	**3,285**	**(11)**	**(38)**

Non-financial assets and liabilities originating from related party transactions at 31 December 2018 and 2017 are as follows:

(€ million)	At 31 December							
	2018				2017			
	Trade receivables	Trade payables	Other assets	Other liabilities	Trade receivables	Trade payables	Other assets	Other liabilities
Total joint ventures	257	529	17	313	275	541	14	309
Total associates	35	51	10	10	26	52	12	13
Total other related parties	2	1	-	1	-	-	-	1
Total unconsolidated subsidiaries	11	8	-	1	74	12	-	-
Total related parties	**305**	**589**	**27**	**325**	**375**	**605**	**26**	**323**

Financial assets and liabilities originating from related party transactions at 31 December 2018 and 2017 are as follows:

(€ million)	At 31 December			
	2018		2017	
	Receivables from financing activities	Financial debt	Receivables from financing activities	Financial debt
Total joint ventures	281	449	391	352
Total associates	12	-	40	3
Total other related parties	-	-	-	-
Total unconsolidated subsidiaries	11	27	10	28
Total related parties	**304**	**476**	**441**	**383**

Commitments and guarantees pledged in favour of related parties of the FCA Group

At 31 December 2018 FCA Group had a take or pay commitment with Tofas with future minimum expected obligations as follows:

(€ million)	2019	2020	2021	2022
Future minimum purchase obligations	299	291	267	152

Commitments and guarantees pledged in favour of related parties of the CNH Industrial Group

At 31 December 2018 the CNH Industrial Group has pledged guarantees on commitments of its joint ventures, mainly related to Iveco - Oto Melara Società Consortile, for an amount of €140 million (€213 million at 31 December 2017).

Compensation to directors, statutory auditors and key executives of EXOR

In 2018 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	5,805	34,764	40,569
Total compensation 2018	**5,805**	**34,764**	**40,569**
Total compensation 2017	**6,018**	**50,748**	**56,766**

This amount includes the notional compensation cost arising from long term share-based compensation and stock grants awarded to the directors.

There are no key executives in EXOR.

34 Explanatory notes to the consolidated statement of cash flows

Reconciliation of liabilities arising from financing activities for the years ended 31 December 2018 and 2017 is as follows:

(€ million)	Note	2018	2017
At 1 January			
Total financial debt	27	**46,441**	**55,817**
Derivatives liabilities (assets) and collateral, net	28	**(156)**	**343**
Total Liabilities from financing activities		**46,285**	**56,160**
Cash flows		(2,533)	(6,202)
Foreign exchange effects		(189)	(3,207)
Fair value changes		(135)	(155)
Changes in scope of consolidation		1	(140)
Transfer to (Assets)/Liabilities held for sale		(177)	0
Other changes		(145)	(171)
Total change		**(3,177)**	**(9,875)**
At 31 December			
Total Liabilities from financing activities	27	**43,108**	**46,285**
Derivatives liabilities (assets) and collateral, net	28	**(132)**	**(156)**
Total financial debt		**43,240**	**46,441**

During the year ended 31 December 2018 the Group paid interest of €1,803 million and received interest of €787 million. During the year ended 31 December 2017 the Group paid interest of €2,184 million and received interest of €933 million. Amounts indicated are also inclusive of interest rate differentials paid or received on interest rate derivatives.

During the year ended 31 December 2018 the Group made income tax payments, net of refunds totaling €1,208 million. During the year ended 31 December 2017 the Group made income tax payments, net of refunds, totaling €1,164 million.

35 Qualitative and quantitative information on financial risks

The Group is exposed to the following financial risks connected with its operations:

- credit risk, principally arising from its normal commercial relations with final customers and dealers, and its financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- financial market risk (principally relating to exchange rates, interest rates and commodity prices as well as the risk of changes in the price of certain commodities and of certain listed shares).

These risks could significantly affect the Group's financial position and results and for this reason, the Group systematically identifies and monitors these risks in order to detect potential negative effects in advance and take the necessary action to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with established risk management policies.

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

Credit risk

The maximum credit risk to which the Group is potentially exposed at 31 December 2018 is represented by the carrying amounts of financial assets in the financial statements as discussed in Note 17, "*Trade and other receivables*" and the nominal value of the guarantees provided on liabilities and commitments to third parties as discussed in Note 31, "*Guarantees granted, commitments and contingent liabilities*".
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group monitors these exposures and establishes credit lines with single or homogenous categories of counterparties.

Dealers and financial customers for which the Group provides financing are subject to specific assessments of their credit worthiness under a detailed scoring system. To mitigate this risk, the Group could obtain financial and non-financial guarantees. These guarantees are further strengthened where possible by reserve of title clauses on financed vehicle sales to the sales network made by the Group financial service companies and vehicles assigned under finance and operating lease agreements.

For further information regarding the exposure to credit risk and ECLs of trade receivables and receivables from financing activities at 31 December 2018, refer to Note 17, "*Trade and other receivables*".

The PartnerRe Group is exposed to additional credit risks due to the nature of its business. With respect to PartnerRe:

At 31 December 2018 and 2017 fixed maturity securities and short-term investments totaled $13.1 billion (€11.4 billion) and $12.7 billion (€10.6 billion), respectively. Approximately 55% (2017: 52%) of PartnerRe's fixed maturity and short term investment portfolio was rated AA (or equivalent rating) or better, approximately 74% (2017: 71%) were rated A or better and 4% (2017: 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 31 December 2018 and 2017 cash and cash equivalents totaled $878 million (€767 million) and $1,772 million (€1,477 million), respectively.

At 31 December 2018 and 2017 funds held – directly managed totaled $0 million (€0 million) and $425 million (€354 million), respectively, while funds held by reinsurance companies totaled $830 million (€725 million) and $801 million (€668 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 31 December 2018 and 2017 were $2,977 million (€2,600 million) and $2,725 million (€2,272 million), respectively, including balances both currently due and accrued. PartnerRe believes that credit risk related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process and monitoring of aged receivable balances as well as a right of set off against losses payable in the majority of cases. Provisions are made for amounts considered potentially uncollectible and the allowance for uncollectible premiums receivable at 31 December 2018 and 2017 amounted to $5 million (€4 million).

At 31 December 2018 and 2017 the balance of reinsurance recoverable on technical reinsurance reserves was $940 million (€821 million) and $829 million (€691 million), respectively which is net of the allowance provided for uncollectible reinsurance recoverables of $0 million for both years. At 31 December 2018, 33% (2017: 37%) of PartnerRe's reinsurance recoverable on technical reinsurance reserves was either due from reinsurers with an A- or better rating from Standard & Poor's.

Liquidity risk

Liquidity risk is the risk the Group is unable to obtain the funds needed to carry out its operations and meet its obligations. Any actual or perceived limitations on the Group's liquidity may affect the ability of counterparties to do business with the Group or may require additional amounts of cash and cash equivalents to be allocated as collateral for outstanding obligations.

The continuation of challenging economic conditions in the markets in which the Group operates and the uncertainties that characterize the financial markets, necessitate special attention to the management of liquidity risk.
In that sense, measures taken to generate funds through operations and to maintain a conservative level of available liquidity are important factors for ensuring operational flexibility and addressing strategic challenges over the next few years.

The main factors that determine the Group's liquidity situation are the funds generated by or used in operating and investing activities, the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

The Group has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce liquidity risk as follows:

- centralizing the management of receipts and payments where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;
- maintaining a conservative level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence in the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

The Group manages liquidity risk by monitoring cash flows and keeping an adequate level of funds at its disposal. The operating cash management and liquidity investment of the Group are centrally coordinated in the Group's treasury companies, with the objective of ensuring effective and efficient management of the Group's funds. These companies obtain funds in the financial markets from various funding sources.

Details of the repayment structure of the Group's financial assets and liabilities are provided in Note 17, "*Trade and other receivables*", Note 19, "*Other assets*", Note 27, "*Financial debt and other financial liabilities*", Note 28, "*Other financial assets and other financial liabilities*", Note 29, "*Trade payables*", and Note 30, "*Other liabilities*".

The Group believes that the Group's total available liquidity, in addition to the funds that will be generated from operating and financing activities, will enable the Group to satisfy the requirements of its investing activities and working capital needs, fulfill its obligations to repay its debt at the natural due dates and ensure an appropriate level of operating and strategic flexibility.

PartnerRe is exposed to additional liquidity risk mainly through claims arising from its reinsurance contracts. PartnerRe believes that its significant cash flows from operations and high quality liquid investment portfolio will provide sufficient liquidity for the foreseeable future.

PartnerRe aims to maintain sufficient liquidity at all times so that it can support its cedants by settling claims quickly. PartnerRe generates cash flows primarily from its underwriting and investment operations. PartnerRe believes that a profitable, well-run reinsurance organization will generate sufficient cash from premium receipts to pay claims, acquisition costs and operating expenses in most years. To the extent that underwriting cash flows are not sufficient to cover operating cash outflows in any year, PartnerRe may utilize cash flows generated from investments and ultimately liquidate assets from its investment portfolio. PartnerRe ensures that its liquidity requirements are supported by maintaining a high-quality, well-balanced and liquid investment portfolio, and by managing the duration of its investments with that of its net reinsurance liabilities. In the normal course of its business, the Company is a party to a variety of contractual obligations as summarized below. These contractual obligations are considered by the Company when assessing its liquidity requirements and the Company is confident in its ability to meet all of its obligations.

Contractual obligations for technical reinsurance reserves at 31 December 2018 were as follows:

(€ million)	**Total**	**< 1 year**	**1 – 3 years**	**3 – 5 years**	**>5 years**
Technical reinsurance reserves	**11,313**	3,185	2,948	1,340	3,840

Financial markets risk

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

The Group's exposure to foreign currency exchange rate risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies.

The Group's exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's Net profit, thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group's exposure to commodity price risk arises from the risk of changes in the price of certain raw materials and energy used in production. Changes in the price of raw materials could have a significant effect on the Group's results by indirectly affecting costs and product margins.

These risks could significantly affect the Group's financial position and results and for this reason, these risks are systematically identified and monitored, in order to detect potential negative effects in advance and take the necessary actions to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with its established risk management policies.
The Group's policy permits derivatives to be used only for managing the exposure to fluctuations in foreign currency exchange rates and interest rates as well as commodities prices connected with future cash flows and assets and liabilities, and not for speculative purposes.

The Group utilizes derivative financial instruments designated as fair value hedges mainly to hedge:

- the foreign currency exchange rate risk on financial instruments denominated in foreign currency; and
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly foreign currency forward contracts, interest rate swaps and combined interest rate and foreign currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a targeted mix of floating versus fixed rate funding structured loans; and
- the price of certain commodities.

The foreign currency exchange rate exposure on forecasted commercial flows is hedged by foreign currency swaps and forward contracts. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements. Exposure to changes in the price of commodities is generally hedged by using commodity swaps and commodity options. In addition, in order to manage the Group's foreign currency risk related to its investments in foreign operation, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. Counterparties to these agreements are major financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 28, "*Other financial assets and other financial liabilities*".

Foreign currency exchange rate risk

The Group is exposed to risk resulting from changes in foreign currency exchange rates, which can affect its earnings and equity. In particular:

- where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating results of that company;
- the principal exchange rates to which the Group is exposed are EUR/USD, USD/CAD, CNY, GBP, EUR/AUD and USD/AUD, MXN, CHF, ARS, PLN, TRY, JPY and USD/BRL and EUR/BRL.

The Group's policy is primarily to use derivative financial instruments to hedge a percentage of certain exposures subject to foreign currency exchange rate risk for the upcoming 12 months (including such risk before or beyond that date where it is deemed appropriate in relation to the characteristics of the business) and to hedge the exposure resulting from firm commitments unless not deemed appropriate.

Group companies may have trade receivables or payables denominated in a currency different from their respective functional currency. In addition, in a limited number of cases, it may be convenient from an economic point of view, or it may be required under local market conditions, for Group companies to obtain financing or use funds in a currency different from their respective functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. The Group's policy is to hedge, whenever deemed appropriate, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the respective Group companies' functional currency.

Certain of the Group's companies are located in countries which are outside of the Eurozone, in particular the U.S., Brazil, Canada, Poland, Serbia, Turkey, Mexico, Argentina, the Czech Republic, India, China, Australia and South Africa. As the Group's reporting currency is the Euro, the income statements of those entities that have a reporting currency other than the Euro are translated into Euro using the average exchange rate for the period. In addition, the 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 recognised directly in the Cumulative translation adjustments reserve included in Other comprehensive income. Changes in exchange rates may lead to effects on the translated balances of revenues, costs and assets and liabilities reported in Euro, even when corresponding items are unchanged in the respective local currency of these companies.

The Group monitors its principal exposure to conversion exchange risk and, in certain circumstances, enters into derivatives for the purpose of hedging the specific risk.

There have been no substantial changes in 2018 in the nature or structure of exposure to foreign currency exchange rate risk or in the Group's hedging policies.

For the FCA Group, the potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards) at 31 December 2018 resulting from a 10 percent change in the exchange rates would have been approximately €704 million (€1,010 million at 31 December 2017).

For the CNH Industrial Group, the potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at 31 December 2018 resulting from a 10 percent change in the exchange rates would have been approximately $374 million corresponding to €327 million ($466 million corresponding to €389 million at 31 December 2017).

For the Ferrari Group, the potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards) at 31 December 2018 resulting from a 10 percent change in the exchange rates would have been approximately €106 million (€45 million at 31 December 2017).

These analyses assume that a hypothetical, unfavourable 10 percent change in exchange rates as at year-end is applied in the measurement of the fair value of derivative financial instruments. Receivables, payables and future trade flows whose hedging transactions have been analysed were not included in this analysis.

It is reasonable to assume that changes in market exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest rate risk

The manufacturing companies and treasuries of the Group make use of external borrowings and invest in monetary and financial market instruments. In addition, Group companies sell receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost
of the various forms of financing, including the sale of receivables, or the return on investments and the employment of funds, thus negatively impacting the net financial expenses incurred by the Group.

In addition, the financial services companies provide loans (mainly to customers and dealers), financing themselves using various forms of direct debt or asset-backed financing (e.g. factoring of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can affect the operating result of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, when available in the market, with the objective of mitigating, under economically acceptable conditions, the potential variability of interest rates on the Group's Net profit.

In assessing the potential impact of changes in interest rates, the Group segregates fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the financial services companies (principally customer financing and financial leases) and part of debt (including subsidized loans and notes).

For the FCA Group, the potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2018, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately €83 million (approximately €71 million at 31 December 2017).

For the CNH Industrial Group, the potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2018, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately $32 million corresponding to €28 million (approximately $36 million corresponding to €30 million at 31 December 2017).

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, loans provided by the financial services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

For the FCA Group, a hypothetical 10 percent change in short-term interest rates at 31 December 2018, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have resulted in increased net financial expenses before taxes, on an annual basis, of approximately €25 million (€27 million at 31 December 2017).

For the CNH Industrial Group, a hypothetical 10 percent change in short-term interest rates at 31 December 2018, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have resulted in increased net financial expenses before taxes, on an annual basis, of approximately $2 million corresponding to €2 million ($7 million corresponding to €6 million at 31 December 2017).

These analyses are based on the assumption that there is an unfavourable change of 10 percent proportionate to interest rate levels across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

In addition, the sensitivity analysis applied to floating rate financial instruments assumes that cash and cash equivalents and other short-term financial assets and liabilities which expire during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

For the PartnerRe Group, it is estimated that in the hypothetical case of an immediate 100 basis points parallel shift in global bond curves there would be in a change in the fair value of investments exposed to interest rate risk of $607 million (€530 million) at 31 December 2018 and $718 million (€599 million) at 31 December 2017.

Commodity price risk
The Group has entered into derivative contracts for certain commodities to hedge its exposure to commodity price risk associated with buying raw materials and energy used in its normal operations.

In connection with the commodity price derivative contracts outstanding at 31 December 2018, a hypothetical 10 percent change in the price of the commodities at that date would have caused a fair value loss of €91 million (€51 million at 31 December 2017). Future trade flows whose hedging transactions have been analysed were not considered in this analysis. It is reasonable to assume that changes in commodity prices will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Equity price risk
PartnerRe invests a portion of its capital funds in equity securities with a fair market value at 31 December 2018 and 2017 of $694 million (€606 million) and $639 million (€533 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 $30 million (€26 million) at 31 December 2018.

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.

36 Audit Fees

The following table reports fees paid to the independent auditor Ernst & Young, or entities in their network for audit and other services to the Group, for the years ended 31 December 2018 and 2017:

		Years ended 31 December	
€ million		**2018**	**2017**
Audit	Parent - EXOR N.V.	177	170
	Subsidiaries	34,000	34,201
Other services	Parent - EXOR N.V.	5	10
	Subsidiaries	2,008	2,478
TOTAL		**36,190**	**36,859**

Audit fees of Ernst & Young Accountants LLP amounted €671 thousand (€650 thousand in 2017). No other services were performed by Ernst & Young Accountants LLP.

37 Subsequent events

The company has evaluated subsequent events through 27 March 2019, which is the date on which the financial statements at 31 December 2018 were authorised for issue.

There are no significant subsequent events which require disclosure.

27 March 2019

The Board of Directors:

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

Annemiek Fentener van Vlissingen

António Horta-Osório

Company Financial Statements at 31 December 2018

EXOR N.V. - INCOME STATEMENT

		Years ended 31 December	
€ thousand	Note	2018	2017
Investment income			
Dividends from investments	1	**505,411**	544,971
Net investment income		**505,411**	**544,971**
Impairment and gains (losses) on investments			
Impairment on investments	2	**(366,272)**	(288,947)
Realized losses on investments	2	**(72)**	(48,762)
Impairment and gains (losses) on investments		**(366,344)**	**337,709**
Financial income (expenses)			
Financial expenses from third parties	3	**(101,097)**	(91,511)
Financial expenses from related parties		**0**	(322)
Financial income from third parties	4	**5,277**	1,691
Financial income from related parties	21	**10,770**	1,669
Gains (losses) on exchange		**12,843**	647
Net financial expenses		**(72,207)**	**(87,826)**
Net general expenses			
Personnel costs	5	**(4,452)**	(4,350)
Purchases of goods and services from third parties	6	**(6,978)**	(8,015)
Purchases of goods and services from related parties	21	**(10,942)**	(12,683)
Other operating expenses	6	**(2,165)**	(4,128)
		(24,537)	**(29,176)**
Revenues from related parties		**356**	433
		356	433
Net general expenses		**(24,181)**	**(28,743)**
Profit before income taxes		**42,679**	**90,693**
Income taxes	7	**0**	**21,258**
Profit for the year		**42,679**	**111,951**

EXOR N.V. - STATEMENT OF COMPREHENSIVE INCOME

		Years ended 31 December	
€ thousand	Note	**2018**	**2017**
Profit for the year		**42,679**	**111,951**
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods			
Gains (losses) on remeasurement of defined benefit plans		**0**	0
Gains (losses) on financial investments at fair value through other comprehensive income	9	**(10,848)**	0
Related tax effect		**0**	0
Total other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods, net of tax		**(10,848)**	**0**
Other comprehensive income (loss) that may be reclassified to the income statement in subsequent periods			
Gains (losses) on cash flow hedging instruments		**4,126**	768
Gains (losses) on available-for-sale financial assets	9	**0**	9,063
Related tax effect		**0**	0
Total other comprehensive income (loss) that may be reclassified to the income statement, net of tax		**4,126**	**9,831**
Total other comprehensive income (loss), net of tax		**(6,722)**	**9,831**
Total comprehensive income		**35,957**	**121,782**

EXOR N.V. - STATEMENT OF FINANCIAL POSITION

		At 31 December	
€ thousand	Note	2018	2017
Non-current assets			
Investments accounted for at cost	8	**9,684,822**	9,683,404
Financial investment at fair value through other comprehensive income[(a)]	9	**13,909**	24,757
Debt securities at amortized cost[(b)]	10	**55,750**	57,535
Intangible assets		**477**	438
Property, plant and equipment		**54**	62
Other receivables		**181**	299
Total Non-current assets		**9,755,193**	**9,766,495**
Current assets			
Financial investments at fair value through profit and loss	11	**15,642**	0
Cash and cash equivalents	12	**8,424**	9,167
Other financial assets		**1,107**	78
Tax receivables		**3,804**	3,804
Financial receivables from related parties	21	**468,134**	67,402
Financial receivables from third parties		**321**	300
Trade receivables from related parties	21	**71**	48
Other receivables		**731**	448
Total Current assets		**498,234**	**81,247**
Total Assets		**10,253,427**	**9,847,742**
Equity			
Share capital	13	**2,410**	2,410
Capital reserves	13	**1,244,857**	1,244,857
Fair value reserve	13	**(2,700)**	8,148
Cash flow reserve	13	**(20,439)**	(24,565)
Retained earnings and other reserves	13	**5,519,449**	5,477,243
Treasury stock	13	**(61,984)**	(60)
Profit for the year		**42,679**	111,951
Total Equity		**6,724,272**	**6,819,984**
Non-current liabilities			
Non-convertible bonds	15	**3,058,753**	2,507,158
Other payables		**77**	316
Total Non-current liabilities		**3,058,830**	**2,507,474**
Current liabilities			
Non-convertible bonds	15	**177,605**	14,129
Bank debt and commercial paper	16	**260,128**	464,143
Other financial liabilities	17	**25,932**	33,666
Trade payables and other payables to related parties	21	**3,034**	3,801
Trade payables to third parties	18	**1,421**	2,181
Tax payables		**737**	1,405
Other payables		**1,468**	959
Total Current liabilities		**470,325**	**520,284**
Total Equity and Liabilities		**10,253,427**	**9,847,742**

(a) 2017 amount includes the financial instruments classified as available-for-sale.
(b) 2017 amount includes the financial instruments classified as held-to-maturity.

EXOR N.V. – STATEMENT OF CASH FLOWS

€ thousand	Note	Years ended 31 December 2018	2017
Cash and cash equivalents, at beginning of year		**9,167**	**31,304**
Cash flows from (used in) operating activities			
Profit for the year		**42,679**	**111,951**
Adjustments for:			
Income tax provision released		**0**	(21,258)
Impairment and realized losses on investments	2	**366,344**	337,709
Other non-cash movements		**(355,473)**	(400,177)
Notional cost of EXOR stock option plan	14	**4,826**	5,452
Total adjustments		**15,697**	**(78,274)**
Change in working capital:			
Other financial assets, current and non-current		**(1,029)**	913
Tax paid		**0**	(145,661)
Trade receivables from related parties	21	**(23)**	455
Other receivables, current and non-current		**(164)**	325
Other financial receivables		**(21)**	31
Other payables, current and non-current		**270**	(664)
Other financial liabilities, current and non-current		**(6,531)**	5,206
Trade payables and other payables to related parties, excluding items adjusting profit	21	**(767)**	(1,245)
Trade payables to third parties		**(760)**	(6,287)
Tax payables		**(668)**	(2,085)
Others		**594**	(89)
Change in working capital		**(9,098)**	**(149,101)**
Cash flows from (used in) operating activities		**49,277**	**(115,424)**
Cash flows from (used in) investing activities			
Property, plant and equipment and intangibles assets		**(114)**	(399)
Investments in subsidiaries, associated and other companies	8	**(4,877)**	(40,808)
Redemption of minor investments	8	**200**	355,780
Change in financial receivables from related parties	21	**(400,732)**	(67,402)
Net Investments in financial assets	11	**(15,642)**	26,069
Financial assets held for trading		**0**	4,348
Cash flows from (used in) investing activities		**(421,165)**	**277,588**
Cash flows from (used in) financing activities			
Issuance of bonds	15	**686,337**	0
Repayment of bonds	15	**0**	(440,000)
Proceeds of bank debt	16	**230,000**	464,046
Repayment of bank debt	16	**(434,046)**	(78,934)
Net change in short term debt and other financial assets and liabilities		**22,043**	(27,548)
Buyback program	13	**(61,930)**	0
Change in financial payables to related parties	21	**0**	(30,038)
Changes in fair value of cash flow hedge derivatives		**4,126**	768
Dividend paid		**(82,374)**	(82,097)
Exercise of stock options		**6,989**	9,502
Cash flows from (used in) financing activities		**371,145**	**(184,301)**
Total change in cash and cash equivalents		**(743)**	**(22,137)**
Cash and cash equivalents, at end of year		**8,424**	**9,167**

(a) Dividend received for the year ended 31 December 2018 for €149,7855 thousand are included within profit before taxes.
(b) In 2018 EXOR paid interest for €79,449 thousand and received interest income for €1,492 thousand.

EXOR N.V. – STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Capital reserves	Treasury stock	Earnings Reserves	Profit for the year	Fair value reserve (legal reserve)	Cash flow hedge reserve (legal reserve)	Total Equity
Equity at 31 December 2016	**2,410**	**1,244,857**	**(65)**	**5,521,969**	**21,691**	**(47,944)**	**(25,333)**	**6,717,585**
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
Net changes during the year	**0**	**0**	**5**	**(44,726)**	**90,260**	**56,092**	**768**	**102,399**
Equity at 31 December 2017	**2,410**	**1,244,857**	**(60)**	**5,477,243**	**111,951**	**8,148**	**(24,565)**	**6,819,984**

€ thousand	Share capital	Capital reserves	Treasury stock	Earnings Reserves	Profit for the year	Fair value reserve	Cash flow hedge reserve	Total Equity
Equity at 31 December 2017	**2,410**	**1,244,857**	**(60)**	**5,477,243**	**111,951**	**8,148**	**(24,565)**	**6,819,984**
Allocation of prior year result				111,951	(111,951)			0
Buyback of treasury shares			(61,930)					(61,930)
Net increase corresponding to notional cost of EXOR stock option plan				5,634				5,634
Exercise of stock options			6	6,983				6,989
Dividend paid				(82,374)				(82,374)
Total comprehensive income					42,679	(10,848)	4,126	35,957
Other movements				12				12
Net changes during the year	**0**	**0**	**(61,924)**	**42,206**	**(69,272)**	**(10,848)**	**4,126**	**(95,712)**
Equity at 31 December 2018	**2,410**	**1,244,857**	**(61,984)**	**5,519,449**	**42,679**	**(2,700)**	**(20,439)**	**6,724,272**

EXOR N.V. – NOTES TO THE COMPANY FINANCIAL STATEMENTS

GENERAL INFORMATION ON THE COMPANY'S BUSINESS

EXOR N.V. (EXOR), the "Company" and together with its subsidiaries the "EXOR Group" or the "Group", was incorporated as a public limited company (*naamloze vennootschap*) under the laws of the Netherlands on 30 September 2015, registered in the Dutch Commercial Register under number 64236277, and in 2016 was designated to act as a holding company for EXOR Group. The registered office is Gustav Mahlerplein 25, 1082 MS, Amsterdam, the Netherlands, telephone number +31 (0) 202402220.

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Date of authorization of issue

The separate financial statements at 31 December 2018 (company financial statements) were approved by the board of directors on 27 March 2019 which also authorized their publication in accordance with Dutch law. At the next shareholders' meeting the board of directors will propose that the shareholders also approve the financial statements. It should be noted that the shareholders will have the possibility to request amendment if needed.

Basis of preparation

The company financial statements of EXOR have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU-IFRS") and Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements of EXOR are expressed in Euro, prepared on the going concern assumption under the historical cost convention, except where the use of fair value is required for the measurement of financial instruments accounted for at fair value through other comprehensive income and fair value through profit and loss.

The company financial statements were prepared using the same accounting policies as set out in the notes to the consolidated financial statements at 31 December 2018 (consolidated financial statements) except for the measurement of the investments in subsidiaries and associates that are accounted for at cost.

The accounting policies were consistently applied to all periods presented.

Format of the company financial statements

EXOR presents the income statement using a classification based on the nature of the revenues and expenses, with the presentation of the following items that are characteristic of the company's activities taking preference: investment income (expenses) and financial income (expenses). In the statement of financial position the current/non-current distinction has been adopted for the presentation of assets and liabilities.

The statement of comprehensive income presents the total profit or loss recognized in the income statement and increases or decreases in reserves.

The statement of cash flows is presented using the indirect method, which reconciles cash and cash equivalents at the beginning and the end of the year.

The year-end closing date is 31 December of each year and covers a period of 12 months.

The Euro is the company's functional currency since it mainly influences cash inflows and outflows and is the functional currency of EXOR's subsidiaries except for EXOR Nederland. 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 2018

The following standards and amendments, which were effective from 1 January 2018, were adopted by the Group.

IFRS 9 – Financial Instruments

IFRS 9 did not result in material changes compared to the company's accounting for financial instruments under IAS 39, therefore there was no significant impact on the company's financial statements upon initial adoption of the standard and related amendments. The following summarizes the classification and measurement changes for the company's financial assets and financial liabilities on initial application at 1 January 2018.

€ thousand	31.12.2017 As reported	IFRS 9 Adoption effects	01.01.2018 As adjusted
Non-current assets			
Investments accounted for at cost	9,683,404		9,683,404
Available-for-sale financial assets	24,757	(24,757)	0
Financial investments at FVTOCI		24,757	24,757
Held-to-maturity financial instruments	57,535	(57,535)	0
Debt securities at amortized cost		57,535	57,535
Total	9,765,696	0	9,765,696
Intangible assets	438		438
Property, plant and equipment	62		62
Other receivables	299		299
Total Non-current assets	**9,766,495**	**0**	**9,766,495**
Current assets			
Cash and cash equivalents	9,167		9,167
Other financial assets	78		78
Tax receivables	3,804		3,804
Financial receivables from related parties	67,402		67,402
Financial receivables from third parties	300		300
Trade receivables from related parties	48		48
Other receivables	448		448
Total Current assets	**81,247**	**0**	**81,247**
Total Assets	**9,847,742**	**0**	**9,847,742**
Equity			
Share capital	2,410		2,410
Capital reserves	1,244,857		1,244,857
Retained earnings and other reserves	5,460,826		5,460,826
Treasury stock	(60)		(60)
Profit for the year	111,951		111,951
Total Equity	**6,819,984**	**0**	**6,819,984**
Non-current liabilities			
Non-convertible bonds	2,507,158		2,507,158
Other payables	316		316
Total Non-current liabilities	**2,507,474**	**0**	**2,507,474**
Current liabilities			
Non-convertible bonds	14,129		14,129
Bank debt	464,143		464,143
Other financial liabilities	33,666		33,666
Trade payables and other payables to related parties	3,801		3,801
Trade payables to third parties	2,181		2,181
Tax payables	1,405		1,405
Other payables	959		959
Total Current liabilities	**520,284**	**0**	**520,284**
Total Equity and Liabilities	**9,847,742**	**0**	**9,847,742**

IFRS 15 – Revenue from contracts with customers

The company adopted IFRS 15 and related amendments using the modified retrospective approach with the cumulative effect of initial adoption (if any) recognized at the date of initial application of 1 January 2018. The company concluded that its accounting for revenue under IFRS 15 did not result in the recognition of a cumulative adjustment to opening retained earnings under the modified retrospective approach and did not have an effect on the company's financial position or results of operations.

Amendment to IFRS 2 – Share-based payment

The amendments 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 adoption of the amendments had no effect on the preparation of the company financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration
The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The adoption of the amendments had no effect on the preparation of the company financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle
The improvements have amended: i) IFRS 1 – First-time Adoption of International Financial Reporting Standards and ii) IAS 28 – Investments in Associates and Joint Ventures and clarify, correct or remove redundant wording in the related IFRS Standards. 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 2018, or have been issued by the IASB and not yet adopted by the European Union.

IFRS 16 – Leases
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.
The company will apply IFRS 16 from its mandatory adoption date of 1 January 2019 and intends to apply the simplified transition approach and not restate comparative amounts for the year prior to first adoption. Right-of-use is measured at the amount of the lease liability on adoption, adjusted for any prepaid or accrued lease expenses.
The company elected to use the exemptions permitted by the standard on lease contracts for which the lease terms ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value (for example mobile phones, personal computers, printing and photocopying machines).
At 1 January 2019, after considering the exemptions mentioned above, the company has identified no significant effects.

IFRIC 23 – Uncertainty over Income Tax Treatments
In June 2017 the IASB issued IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments which provides requirements regarding how to reflect uncertainties in accounting for income taxes. The interpretation is effective on or after 1 January 2019. The company does not expect any material impact from the adoption of this interpretation.

IFRS 9 – Prepayment Features with Negative Compensation
In October 2017 the IASB issued Amendments to IFRS 9 – Financial Instruments that allow, under certain conditions, for a prepayable financial asset with negative compensation payments to be measured at amortized cost or at fair value through other comprehensive income. The final amendments also contain a clarification relating to the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The amendments are effective on or after 1 January 2019 and are not expected to have a material impact upon adoption.
The following have been issued by the IASB but not yet endorsed by the European Union.

- Amendments to IFRS 17 – Insurance contracts
- Amendments to IAS 28 – Long Term Interest in Associates and Joint ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Business Combinations

- Amendments to References to the Conceptual Framework in IFRS

The company will introduce any new standards, amendments and interpretations once they are endorsed by the European Union, based on the date of application and will evaluate their potential impacts in relation to the same date of application. Further information on these standards is provided in note 2 of the consolidated financial statements.

Investments accounted for at cost

Investments accounted for at cost include investments in subsidiaries and associates stated at cost.
Subsidiaries are entities over which the company has control. Control is achieved when the company has valid rights which give it the ability to use its power over the investee to affect the amount of the investor's returns.
Associates are enterprises over which the company has significant influence, as defined in IAS 28 – Investments in Associates and Joint Ventures, but not control or joint control over the financial and operating policies.
Under the cost method, investments are tested for impairment whenever there is an indication of impairment due to one or more events which occurred after initial recognition which have an impact on the future cash flows of the subsidiaries and associates and on the dividends which they could distribute.
If any such evidence exists, the carrying amount is reduced to its recoverable amount, usually determined on the basis of the higher of the value in use and fair value less costs to sell. Such impairment is recognized in the income statement.
For investments listed on open markets, evidence of impairment is a significant and prolonged decline in the market prices to below the cost of a subsidiary or associate, together with its continuing negative operating performance.
When the company's share of losses of a company exceeds the carrying amount of the investment, the carrying amount is reduced to nil and the share of further losses is recognized in a liability provision only to the extent that the entity has incurred legal or constructive obligations on behalf of the company.
At the end of each reporting period, the company assesses whether there is any objective evidence that an impairment loss of an investment recognized in prior years may no longer exist or may has decreased. When, subsequently, the impairment loss no longer exists or has decreased, a reversal is recognized in the income statement up to the cost of the investment.
A significant or prolonged rise in the market price of the subsidiary or associate, together with its continuing positive operating performance is considered as objective evidence.

Financial assets and liabilities

Financial assets primarily include investments in other companies, derivative financial instruments and debt securities that represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents.
Financial liabilities primarily consist of debt, derivative financial instruments, trade payables and other liabilities. The classification of financial liabilities under IFRS 9 is unchanged compared with the previous accounting requirements under IAS 39.

Classification and measurement (policy applicable from 1 January 2018)

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

Financial asset cash flow business model	Initial measurement(1)	Measurement category(3)
Solely to collect the contractual cash flows represented by principal and interest (Held to Collect)	Fair Value less transaction costs	Amortized Cost(2)
Collect both the contractual cash flows and generate cash flows arising from the sale of assets (Held to Collect and Sell)	Fair Value less transaction costs	Fair value through other comprehensive income ("FVTOCI")
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair Value	Fair value through profit and loss ("FVTPL")

1) A trade receivable without a significant financing component, as defined by IFRS 15, is initially measured at the transaction price.
2) Receivables with maturities of over one year, which bear no interest or have an interest rate significantly lower than market rates are discounted using market rates.
3) On initial recognition, the company may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortized cost or at FVTOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Factors considered by the company in determining the business model for a group of financial assets include:

- past experience on how the cash flows for these assets were collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales activity expectations;
- how the asset's performance is evaluated and reported to key management personnel;
- how risks are assessed and managed and how management is compensated.

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

Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, commercial paper and certificate of deposits that are readily convertible into cash, with original maturities of three months or less at the date of purchase. Cash and cash equivalents are subject to an insignificant risk of changes in value and consist of balances across various primary national and international money market instruments.
Money market funds consist of investments in high quality, short-term, diversified financial instruments that can generally be liquidated on demand and are measured at FVTPL. Cash at banks and other cash equivalents are measured at amortized cost.

Investments in other companies are measured at fair value. Equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value may be measured at cost as an estimate of fair value, as permitted by IFRS 9. The company may irrevocably elect to present subsequent changes in the investment's fair value in Other comprehensive income ("OCI") upon the initial recognition of an equity investment that is not held to sell. This election is made on an investment-by-investment basis. Generally, any dividends from these investments are recognized in financial income from investments when the company's right to receive payment is established. Other net gains and losses are recognized in OCI and will not be reclassified to the Income Statement in subsequent periods. Impairment losses (and the reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value in OCI.

Intangible assets with indefinite useful life
Intangible assets with 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.

Intangible assets with a definite useful life
Intangible assets with a definite useful lives are recognized at purchase cost and amortized on a systematic basis over the assets useful life, estimated in 5 years. Whenever necessary, intangibles assets with a definite useful life are tested for impairment.

Trade receivables and payables
Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method and measured at net realizable value, that is, less provision for impairment for amounts considered uncollectible. The original carrying amount of the receivables is reinstated in subsequent years if the reasons for impairment no longer exist.
Payables are initially recognized at fair value and subsequently measured at amortized cost.
Receivables and payables in foreign currency, originally recorded at the transaction date exchange rate, are adjusted to the year-end rate and the resulting gain or loss is recognized in the income statement.

Treasury stock
The cost of any treasury stock purchased and/or held, also through subsidiaries, as a result of specific shareholder resolutions, is recognized as a deduction from equity and, therefore, the reserve offsetting treasury stock in portfolio is not shown separately. The proceeds from any subsequent sale are recognized as changes in equity.

Share-based compensation

Share-based compensation plans that may be settled by the delivery of shares are measured at fair value at the grant date. This fair value is recognized in the income statement in personnel costs on a straight-line basis over the period from the grant date to the vesting date with a corresponding entry directly in equity, based upon an estimate of the number of options that is expected to vest. Changes in fair value after the grant date have no effect on the initial measurement.

The compensation component arising from stock option plans linked to shares of EXOR N.V., whose beneficiaries are employees of other companies, is recorded as a capital contribution in favor of the subsidiaries in which the beneficiaries of the stock option plans are employees; consequently, the compensation component is recognized as an increase in the relative value of the investments, with a corresponding entry recorded directly in equity.

Share-based compensation plans that may be settled in cash or by the delivery of other financial assets are recognized as a liability and measured at fair value at the end of each reporting period and when settled. Any subsequent changes in fair value are recognized in the income statement.

Provisions

The company records provisions when it has an obligation, legal or constructive, to a third party, when it is probable that an outflow of company resources will be required to satisfy the obligation and when a reliable estimate of the amount can be made.

The provisions are reviewed at every reporting date and adjusted to reflect the best current estimate. Changes in estimates are reflected in the income statement in the period in which the change occurs.

Debt

Interest-bearing debt is initially recognized at cost which corresponds to the fair value of the amount received including directly attributable costs. Debt is subsequently measured at amortized cost. The difference between amortized cost and the amount to be repaid is recognized in the income statement on the basis of the effective interest rate over the period of the loan.

Debt is classified in current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. All derivative financial instruments are measured in accordance with IFRS 9 at fair value.

Derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge (hedge of the exposure to changes in fair value), in which the effects of the hedge are recognized in the income statement.
- Cash flow hedge (hedge of the exposure to variability in future cash flows), in which the effective portion of a gain or loss in fair value is recognized directly in other comprehensive income and the ineffective portion is recognized immediately in the income statement. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in other comprehensive income and is recognized in the income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in other comprehensive income is recognized in the income statement immediately.

If hedge accounting does not apply, the gains or losses from measuring the derivative financial instrument at fair value are immediately recognized in the income statement.

Financial income and expenses, other revenues and costs

Dividends are recognized in the income statement when the paying company approves distribution, that is, when the right to receive the dividends is established. Dividends in kind are measured at the fair value of the underlying securities at the payment date.

Financial income and expenses are recorded on a prorated basis according to the rate of the effective return.

Revenues from the performance of services are recognized over the period in which the services will be provided.

Costs are recorded on the accrual basis.

Income taxes

Current and deferred income taxes are calculated according to the tax laws in force.
Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to other comprehensive income, in which case the related income tax effect is recognized directly in other comprehensive income.

Foreign currency transactions

The financial statements are prepared in Euro, which is the company's functional and presentation currency.
Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign currency exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Segment reporting

As disclosed in the consolidated financial statements (Note 4), the Group has determined that its information by segment according to IFRS 8 – Operating Segments, coincides with the consolidated data of each principal investments, every one of which represents, an investment in a major business segment: FCA, CNH Industrial, Ferrari, PartnerRe, Juventus. Such reportable segments are based on the information reviewed by its chief operating decision maker in making decisions regarding allocation of resources and to assess performance.

Use of estimates

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on elements known when the financial statements are prepared, on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognized immediately in the income statement in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical measurement processes and key assumptions used by the company in applying IFRS which may have significant effects on the amounts recognized in the financial statements or for which there is a risk that a significant difference may arise in respect to the carrying amounts of assets and liabilities in the future relate to the measurement of investments.

NOTES RELATING TO THE MOST SIGNIFICANT ITEMS IN THE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

1. Dividends from investments

€ thousand	2018	2017	Change
EXOR S.A.	355,556	470,000	(114,444)
EXOR Nederland N.V.	52,402	0	52,402
CNH Industrial N.V.	51,370	40,362	11,008
Ferrari N.V.	31,549	28,216	3,333
The Economist Group	14,534	0	14,534
Others	0	6,393	(6,393)
Dividends from investments	**505,411**	**544,971**	(39,560)

In 2018 EXOR S.A. distributed a dividend of €355,556 thousand through the distribution in kind of the entire stake in The Economist Group, based on the fair value of the company at the time of distribution.

2. Impairment and realized losses on investments

In 2018, in accordance with the decision taken in 2017, considering that its mission as a company with a long-term view was substantially completed, EXOR S.A. distributed a dividend in kind (the investment in The Economist Group). As consequence, an impairment indicator was identified and an impairment amounting to €366,272 thousand has been accounted for. In fact, following the dividend distribution, the net equity of EXOR S.A. for consolidation purposes approximated its fair value and has been considered by EXOR management as the recoverable amount of the investment, in accordance with IAS 36.

In 2017 impairments amounted to €288,947 thousand relating to the impairment of the investment in EXOR S.A.
Realized losses on investments in 2017 amounted to €48,762 thousand, principally relating 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 is accounted for as an associate following the purchases were made during the year.

3. Financial expenses from third parties

€ thousand	2018	2017	Change
Interest on bonds	92,998	88,860	4,138
Losses on equity at FVTPL	4,167	0	4,167
Bank fees and commission	2,490	1,917	573
Interest on bank debt	401	521	(120)
Losses on derivative instruments at FVTPL	284	0	284
Other expenses	757	213	544
Financial expenses from third parties	**101,097**	**91,511**	**9,586**

The increase in interest on bonds is related to the increase in the indebtedness due to the issuance of new bonds in January and February 2018.

4. Financial income from third parties

€ thousand	2018	2017	Change
Interest income and other income on debt securities at amortized cost	2,375	251	2,124
Interest on financial instruments at FVTPL	1,692	99	1,593
Bank interest	464	52	412
Other financial income	746	1,289	(543)
Financial income from third parties	**5,277**	**1,691**	**3,586**

The increase in interest income is related to the fact that the securities at amortized cost were acquired at the end of 2017 and therefore 2018 includes the full amount of the coupon.
In 2018 other financial income mainly related to the quota of the premium on the issuance of the 2015-2025 bond (€685 thousand).
In 2017 other financial income mainly related to credit risk adjustments and to the quota of the premium on issuance 2015-2025 bond.

5. Personnel costs

Personnel costs amount to €4,452 thousand (€4,350 thousand in 2017) of which €1,032 thousand related to the stock option plan (€1,498 thousand in 2017). At the end of 2018 the number of employees was 11 (9 at the end of 2017). All employees work in The Netherlands.

6. Net general expenses

Net general expenses amount to €24,181 thousand (€28,743 thousand in 2017). The decrease is mainly due to cost saving efforts which started in 2017.
Other operating expenses mainly refers to contributions to cultural and charitable associations.

7. Income taxes

In 2018 there are no income taxes.
In 2017 the positive amount of €21,258 thousand was related to the settlement in June 2017 of the liability for Italian exit tax.
The reconciliation between the income tax expense recognized in the income statement and the theoretical tax expense, calculated on the basis of the theoretical tax rate in effect in the Netherlands, is as follows:

€ thousand		2018
Pre-tax profit		42,679
Tax 25%		(10,670)
Tax effect on:		
Participation exemption on dividend received		126,352
Impairment loss on investment in EXOR S.A.		(91,568)
Loss on liquidation investment in Emittenti Titoli		(18)
Non-deductible cost for stock option plan		(259)
Cash flow hedge reserve		(1,033)
		33,474
Unrecognized deferred tax assets on differences emerged in 2018		(22,804)
Total tax (expense) income		**0**
	Effective tax rate	**0%**
Total tax (expense) income		**0**

Based on the final tax assessments issued for the financial years 2015 and 2016, the draft 2017 tax return currently being prepared and the 2018 tax provision, EXOR losses available for future offset at 31 December 2018 amount to €212,841 thousand. Under current tax law, losses incurred in the period ending 31 December 2018 can be carried forward for a maximum period of nine financial years. Taking the 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
31 December 2027	91,216
Total	**212,841**

8. Investments accounted for at cost

€ thousand	31.12.2018 % of class of shares	31.12.2018 Amount	31.12.2017 % of class of shares	31.12.2017 Amount	Change
Fiat Chrysler Automobiles N.V. - common shares	28.98	1,349,725	29.18	1,349,725	0
Fiat Chrysler Automobiles N.V. - special voting shares	91.90	0	91.90	0	0
Fiat Chrysler Automobiles N.V.		**1,349,725**		**1,349,725**	0
CNH Industrial N.V. - common shares	26.89	1,694,530	26.89	1,694,530	0
CNH Industrial N.V. - special voting shares	92.55	0	92.55	0	0
CNH Industrial N.V.		**1,694,530**		**1,694,530**	0
Ferrari N.V. - common shares	22.91	677,443	22.91	677,443	0
Ferrari N.V. - special voting shares	66.52	0	66.52	0	0
Ferrari N.V.		**677,443**		**677,443**	0
EXOR Nederland N.V.	100.00	5,319,111	100.00	5,312,389	6,722
EXOR S.A.	100.00	91,300	100.00	457,474	(366,174)
EXOR Investments Limited	100.00	8,388	100.00	7,341	1,047
Juventus Football Club S.p.A.	63.77	95,688	63.77	95,688	0
The Economist Group	43.40	355,556	0	0	355,556
Welltec	22.10	93,082	21.23	88,542	4,540
Other		0	n/a	272	(272)
Investments accounted for at cost		**9,684,822**		**9,683,404**	1,419

The changes during the year are as follows:

€ thousand	Balance at 31.12.2017	Changes in 2018 Increases	Changes in 2018 Decreases	Changes in 2018 Reclass.	Balance at 31.12.2018
Fiat Chrysler Automobiles N.V. - common shares	1,349,725				1,349,725
Fiat Chrysler Automobiles N.V. - special voting shares	0				0
Fiat Chrysler Automobiles N.V.	1,349,725				**1,349,725**
CNH Industrial N.V. - common shares	1,694,530				1,694,530
CNH Industrial N.V. - special voting shares	0				0
CNH Industrial N.V.	1,694,530	0	0	0	**1,694,530**
Ferrari N.V. - common shares	677,443				677,443
Ferrari N.V. - special voting shares	0				0
Ferrari N.V.	677,443	0	0	0	**677,443**
EXOR Nederland N.V.	5,312,389	6,722			5,319,111
EXOR S.A.	457,474	98	(366,272)		91,300
EXOR Investments Limited	7,341	1,047			8,388
Juventus Football Club S.p.A.	95,688				95,688
The Economist Group	0	355,556			355,556
Welltec	88,542	4,540			93,082
Other	272		(272)		0
Investments accounted for at cost	**9,683,404**	367,964	(366,544)	0	**9,684,822**

A comparison between the carrying amounts and trading prices of listed investments is as follows:

		Carrying amount		Market price at 28 December 2018	
	Number	Per share (€)	Total (€/000)	Per share (€)	Total (€/000)
Fiat Chrysler Automobiles N.V. - common shares	449,410,092	3.003	1,349,725	12.70	5,709,665
CNH Industrial N.V. - common shares	366,927,900	4.618	1,694,530	7.84	2,878,256
Ferrari N.V. - common shares	44,435,280	15.246	677,443	86.56	3,846,358
Juventus Football Club S.p.A.	642,611,298	0.149	95,688	1.08	695,691
Total			**3,817,386**		**13,129,970**

9. Financial investment at FVTOCI

€ thousand	31.12.2018		01.01.2018		Change
	% of class of shares	Amount	% of class of shares	Amount	
GEDI	5.99	10,537	5.99	21,385	(10,848)
Other	n/a	3,372	n/a	3,372	0
Financial investment at FVTOCI		**13,909**		**24,757**	(10,848)

The changes during the year are as follows:

€ thousand	Available for sale			Financial investment at FVTOCI		
	GEDI	Other	Total	GEDI	Other	Total
Balance at 31.12.2017	21,385	3,372	**24,757**			
Reclassification following the adoption of IFRS 9	(21,385)	(3,372)	(24,757)	21,385	3,372	24,757
Balance at 1.01.2018	**0**	**0**	**0**	**21,385**	**3,372**	**24,757**
Fair value adjustments				(10,848)	0	(10,848)
Balance at 31.12.2018				**10,537**	**3,372**	**13,909**

10. Debt securities at amortized cost

These amount to €55,750 thousand and are represented by bonds issued by leading counterparties, maturing after 12 months. The bonds are measured at amortized cost.
At 31 December 2017 they amounted to €57,535 thousand, recognized in the item Held-to-maturity financial instruments and were measured at amortized cost.

11. Financial investment at FVTPL

These amount to €15,642 thousand and represent investment in equity instruments and debt securities listed in active markets.

12. Cash and cash equivalents

These amount to €8,424 thousand (€9,167 thousand at 31 December 2017) 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.

13. Equity

Share capital

At 31 December 2018 the total issued capital of EXOR N.V. was equal to Euro 2,410,000, divided into no. 241,000,000 shares each with a nominal value of Euro 0.01.

EXOR N.V. adopted a loyalty voting structure designed to incentivize long-term share ownership, on the basis of which for each EXOR N.V. ordinary share held without interruption for a period of five years, shareholders will be entitled to five voting rights at the end of that period, and for each EXOR N.V. ordinary share held without interruption for a period of ten years, shareholders will be entitled to ten voting rights at the end of that period. No special voting shares had been issued and none are outstanding at 31 December 2018.

Reserves

At 31 December 2018 the company does not have any legal, statutory or non-distributable reserves, except for the fair value reserve and cash-flow reserve.

€ thousand	31.12.2018	31.12.2017	Change
Capital Reserves	**1,244,857**	**1,244,857**	0
Earnings reserves and other reserves:			
Retained earnings	5,488,637	5,452,065	36,572
Stock option reserve	30,812	25,178	5,634
	5,519,449	5,477,243	42,206
Fair value reserve	(2,700)	8,148	(10,848)
Cash-flow hedge reserve	(20,439)	(24,565)	4,126
Total earnings reserves and other reserves	**5,496,310**	**5,460,826**	35,484
Total reserves	**6,741,167**	**6,705,683**	35,484

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	31.12.2018	31.12.2017
Equity attributable to owners of the parent in the consolidated financial statements	**12,210**	**10,805**
Difference between the carrying amounts of investments and the corresponding equity at year-end, net of consolidation adjustments	(3,985)	(4,264)
Change in other comprehensive income reserve in the consolidated financial statements	(71)	1,626
Share of the (profit) loss of consolidated companies and companies accounted for by the equity method, net of consolidation adjustments	(1,458)	(1,283)
Other adjustments	28	(64)
Equity in the company financial statements	**6,724**	**6,820**

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	2018	2017
Net profit attributable to owners of the parent in the consolidated financial statements	**1,347**	**1,392**
Share of the profit (loss) of consolidated companies and companies accounted for by the equity method, net of consolidation adjustments	(1,458)	(1,283)
Dividends received from consolidated companies and companies accounted for by the equity method	548	684
Adjustments of gains/losses on disposals and impairments and reversals of investments	(395)	(682)
Other adjustments	1	1
Net profit in the company financial statements	**43**	**112**

Treasury stock
At 31 December 2018 EXOR holds the following treasury stock:

	Amount			% of class
	No. of shares	Per share (€)	Total (€ thousand)	
Balance at 31 December 2016	**6,473,037**	**0.01**	**65**	**2.69**
Exercise of stock options	(483,180)		(5)	
Delivery of stock grants to Board members	(12,162)			
Balance at 31 December 2017	**5,977,695**	**0.01**	**60**	**2.48**
Buyback of treasury shares	1,231,510	50.287	61,930	
Exercise of stock options	(379,522)		(4)	
Delivery of stock grants to beneficiaries	(119,790)		(2)	
Balance at 31 December 2018	**6,709,893**	**9.24**	**61,984**	**2.784**

Buyback program
On 14 November 2018 EXOR announced that its Board of Directors has approved a share buyback program ("the Program"). The Program involves the repurchase from time to time of up to €300 million of ordinary shares and is intended to optimize the company's capital structure.
The Program is conducted in the framework of the resolution adopted by the Annual General Meeting of Shareholders ("AGM") held on 29 May 2018, which authorized the repurchase of up to a maximum amount of €500 million of ordinary shares during the 18 month period following the date of the AGM and up to a maximum number of shares not to exceed the limits set by law. The repurchase price per share, excluding expenses, will not exceed by more than 10% the official reference price recorded on the Italian Stock Exchange (MTA) on the day before each transaction is made.
The repurchases is be carried out in compliance with applicable rules and regulations, including the Market Abuse Regulation 596/2014 and the Commission Delegated Regulation (EU) 2016/1052.
Under the Program, in 2018 EXOR purchased 1,231,510 ordinary shares for a total amount of €61,930 thousand.

14. Long-term incentive plans

2012 Long-term incentive plans
The first part of the plan, denominated "Long Term Stock Grant", vested at the end of May 2018 and 124,612 shares have been delivered to the beneficiaries. The cost recognized in 2018 in the stock option reserve amounts to €169 thousand, including €158 thousand classified as personnel costs and €11 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.

At the end of May 2018, the second part of the plan, denominated "Company Performance Stock Options", vested 1,019,200 options of which 450,000 to the Chairman and Chief Executive Officer of the company and 569,200 to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price per share of €16.59 and €16.62, respectively. The options are exercisable until 2021.
The cost recognized in 2018 in the stock option reserve amounts to €201 thousand, of which €110 thousand classified as compensation to the Chairman and Chief Executive Officer, €85 thousand as personnel costs and €6 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.

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 2018 is 2,937,135 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	485,312	4,392	887
Key employees of companies in the Holdings System	437,873	3,953	791
Total	**2,937,135**	**26,304**	**5,264**

The cost referring to the year recorded in the stock option reserve amounts to €5,264 thousand (€5,247 thousand in 2017) including €3,586 thousand (€3,586 thousand in 2017) classified as compensation to the Chairman and Chief Executive Officer, €789 thousand (€789 thousand in 2017) as personnel costs and €98 thousand (€98 thousand in 2017) as service costs.
The cost relating to the key employees of companies in the Holdings System (€791 thousand in 2018 and €774 thousand in 2017) was recognized as an increase in the carrying amount of the investment in EXOR S.A. and EXOR Investments Limited for €81 thousand and €710 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)	
							31.12.2018	31.12.2017
16/10/2012	16/10/2019	98.136	Annually	Fixed 4.750%		€150,000	**151,124**	150,663
12/11/2013	12/11/2020	99.053	Annually	Fixed 3.375%		€200,000	**200,313**	200,014
3/12//2015	2/12/2022	99.499	Annually	Fixed 2.125%		€750,000	**747,426**	746,498
8/10/2014	8/10/2024	100.090	Annually	Fixed 2.500%		€650,000	**652,682**	652,528
7/12/2012	31/01/2025	97.844	Annually	Fixed 5.250%		€100,000	**103,470**	103,291
22/12/2015	22/12/2025	100.779	Annually	Fixed 2.875%		€450,000	**451,593**	451,883
20/05/2016	20/05/2026	99.650	Annually	Fixed 4.398%		$170,000	**148,637**	141,827
18/01/2018	18/01/2028	98.520	Annually	Fixed 1.750%		€500,000	**499,807**	0
09/05/2011	09/05/2031	100.000	Semiannually	Fixed 2.800%	(a)	¥10,000,000	**79,989**	74,583
15/02/2018	15/02/2038	98.183	Annually	Fixed 3.125%		€200,000	**201,316**	0
Total							**3,236,358**	**2,521,287**
- Current portion							**177,605**	**14,219**
- Non-current portion							**3,058,753**	**2,507,158**

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.

EXOR intends to repay the bonds in cash at maturity using available liquid resources and undrawn credit lines. EXOR may from time to time buy back bonds on the market also for purposes of their cancellation. Such buybacks, if made, depend upon market conditions, EXOR's financial situation and other factors which could affect such decisions.

The bonds contain covenants that are common in international practice for bond issues of this type. In particular, they contain negative pledge clauses (which require that the bonds benefit from any existing or future pledges of assets of the issuer granted in connection with other bonds or debt securities having the same ranking) and provide for periodic disclosure.
The 2011-2031 bonds also establish other covenants such as respecting a ratio between financial debt and net asset value (0.5) calculated in accordance with the bond issuance prospectus and maintaining a rating by one of the major agencies. Non-compliance with these covenants allows the bondholders to ask for the immediate redemption of the bonds.
Standard events of default are envisaged in the case of serious non-fulfillment such as failure to pay interest. These covenants were complied with at 31 December 2018.

Finally, a change of control of EXOR would give the bondholders the right to ask for early redemption of the bonds.

The bonds were rated BBB+ by Standard & Poor's, in line with EXOR N.V.'s long-term debt rating.

The changes in non-convertible bonds may be analyzed as follows:

€ thousand	2018	2017
Total at 1 January	**2,521,287**	**2,999,051**
Cash flows	700,193	(467,316)
Foreign exchange effects	12,113	(26,494)
Other changes	2,765	16,046
Total at 31 December	**3,236,358**	**2,521,287**

The analysis of the non-convertible bonds by due date at 31 December 2018 and 2017 is as follows:

€ thousand	31.12.2018	31.12.2017	Change
Due within one year	177,605	14,129	163,476
Due between five and five years	945,504	1,093,437	(147,933)
Due beyond five years	2,113,249	1,413,721	699,528
Non-convertible bonds	**3,236,358**	**2,521,287**	715,071

16. Bank debt and commercial paper

At the end of 2018 bank debt and commercial paper amounts to €260,128 thousand of which €230,053 thousand for commercial paper. At 31 December 2017 the debt amounted to €464,143 thousand and was related exclusively to short-term credit lines drawn.

On 15 May 2018 EXOR established its first Euro-Commercial Paper Program (ECP Program) allowing it to issue short-term notes with maturity of up to 364 days and a maximum amount outstanding of €500 million.
The program enables EXOR to achieve greater diversification of its funding sources in the capital markets and enhance its liquidity management.

At 31 December 2018 EXOR has irrevocable credit lines in Euro of €400 million, of which €250 million expiring after 31 December 2019, as well as revocable credit lines of €487 million.
At the same date EXOR also has credit lines in foreign currency for a total of $90 million (€79 million) of which $50 million (€44 million) expiring after 31 December 2019.

At 31 December 2017 EXOR had irrevocable credit lines in Euro for €350 million, expiring within 2 to 5 years as well as revocable credit lines of €572 million.
At the same date EXOR had credit lines in foreign currency for a total of $90 million (€75 million) due after 31 December 2018.

The loan contracts relating to irrevocable credit lines provide for covenants to be observed that are typical of the practices in the sector for this type of debt. In particular, some of the main covenants on certain contracts refer to periodical disclosure obligations, prohibition of new real guarantees on the assets of the company without the consent of the creditor and non-subordination of the credit line.
Finally, clauses provide for early repayment in the event of serious default such as failure to pay interest or events that are especially detrimental such as insolvency proceedings.

In the event of a change of control of EXOR, some lender banks would have the right to ask for the early repayment of the irrevocable credit lines for a total of 300 million, which however were unutilized at 31 December 2018.

EXOR's long-term and short-term debt ratings from Standard & Poor's are "BBB+" and "A-2", respectively, with a "stable outlook".

The changes in bank debt may be analyzed as follows:

€ thousand	2018	2017
Total at 1 January	**464,143**	**79,291**
Cash flows	(204,015)	384,880
Foreign exchange effects	0	(28)
Total at 31 December	**260,128**	**464,143**

17. Other financial liabilities

These amount to €25,932 thousand (€33,666 thousand at 31 December 2017), of which €24,156 thousand (€33,192 thousand at 31 December 2017) refer to the fair value of the cross currency swap related to the bond denominated in Japanese yen and €214 thousand (€85 thousand at 31 December 2017) to fees and commission on undrawn credit lines.

18. Trade payables to third parties

These amount to €1,421 thousand (€2,181 thousand at 31 December 2017) and refer to trade payables to suppliers due within one year.

19. 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 2018:

€ thousand	Note	Level 1	Level 2	Level 3	Total
Assets at fair value					
Financial investment at FVTOCI	9	10,537		3,372	13,909
Financial investment at FVTPL	11	15,642			15,642
Total assets		**26,179**	**0**	**3,372**	**29,551**
Liabilities at fair value					
Other financial liabilities	17		25,932		25,932
Total liabilities		**0**	**25,932**	**0**	**25,932**

The impact of the adoption of IFRS 9 on the fair value hierarchy as at 1 January 2018

€ thousand	**At 31 December 2017 as reported**				**Adjustments/Reclassification**				**At 1 January 2018 as adjusted**			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Assets at fair value												
Available-for-sale financial assets	21,385		3,372	24,757	(21,385)		(3,372)	(24,757)				
Financial investment at FVTOCI					21,385		3,372	24,757	21,385		3,372	24,757
Total assets	**21,385**	**0**	**3,372**	**24,757**	**0**		**0**	**0**	**21,385**		**3,372**	**24,757**
Liabilities at fair value												
Other financial liabilities		33,192		33,192						33,192		33,192
Total liabilities	**0**	**33,192**	**0**	**33,192**						**33,192**		**33,192**

In 2018 there were no transfers between Levels in the fair value hierarchy.

When market quotations are not available for measuring the fair value of financial assets available-for-sale and held for trading, the market rates have been used, adjusted where necessary to take into account the credit quality of the counterparty, as well as the fund quotations (NAV) provided by the managers of the same funds, and widely accepted valuation models; the valuation technique which is generally accepted is discounted cash-flow, considering counterparty credit risk.

The fair value of other financial liabilities that are composed of derivative financial instruments is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular, the fair value of cross currency swaps is determined using the discounted cash flow method, by taking the prevailing exchange rates and interest rates at the balance sheet date, adjusted, where necessary, to take into account EXOR's credit quality.

Assets and liabilities not measured at fair value on a recurring basis

The nominal value of cash and cash equivalents usually approximates fair value due to the short duration of these instruments which include mainly bank current accounts and time deposits.

For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not differ significantly from the carrying amount, it is assumed that the carrying amount is a reasonable approximation of the fair value. In particular, the carrying amount of trade receivables and payables and other current assets and liabilities approximates their fair value.

The following table represents the carrying amount and fair value for the most relevant categories of financial assets and liabilities not measured at fair value on a recurring basis:

		31.12.2018		31.12.2017	
€ thousand	Note	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Debt securities at amortized cost	10	55,750	54,550	57,535	56,489
Other financial assets		1,107	1,107	78	78
Total assets		**56,857**	**1,107**	**57,613**	**56,567**
Financial liabilities					
Non-convertible bonds	15	3,236,358	3,344,127	2,521,287	2,753,881
Other financial liabilities	17	214	214	85	85
Total liabilities		**3,236,572**	**3,344,341**	**2,521,372**	**2,753,966**

Debt securities at amortized cost are represented by bonds issued by leading counterparties (maturing in 2022); these are quoted on active markets and therefore their fair value is categorized in Level 1.

Non-convertible bonds are listed in active markets and their fair value is measured with reference to year-end quoted prices and therefore they are classified within Level 1 of the fair value hierarchy, with the exception of the unlisted Japanese yen bond issue (nominal equivalent amount at 31 December 2018 equal to €79,460 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.

20. Information on financial risks

Credit risk

The maximum nominal exposure to credit risk to which EXOR N.V. is exposed at 31 December 2018 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 2018 there are no financial assets past due and not written down, as was the case at 31 December 2017.

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 2018 a portion of receivables from related parties (€323 million) and cash and cash equivalents (€0.1 thousand) are denominated in currencies other than Euro (principally USD). All receivables and securities are aligned to year-end exchange rates. At 31 December 2017 a portion of receivables from related parties (€25.7 million) and cash and cash equivalents (€0.3 million) were denominated in currencies other than Euro (principally GBP) 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 (€ 79million at 31 December 2018, €74 million at 31 December 2017) 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 (€148 million at 31 December 2018, €142 million at 31 December 2017) which carries a fixed rate of 4.398% and a term of 10 years.

In order to protect itself from the effects of fluctuations in the €/Yen exchange rate, EXOR put in place a cross currency swap with a leading credit institution as a result of which EXOR will pay a fixed rate of 6.012% on the Euro equivalent face amount of Japanese yen note for its entire term.

Sensitivity analysis for currency risk

Considering currency risk exposure at the reporting date, if the exchange rate had been 10% favorable or unfavorable, the assets in foreign currencies in US dollars would be €30,114 thousand higher or €24,639 thousand lower and the note in US dollars would be €13,497 thousand lower or €16,497 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 was no bank debt exposed to interest rate risk.

Price risk

EXOR is exposed to price risk originating from investments in equity classified in the following categories:

- investments accounted for at cost
- financial investment at FVTOCI

Sensitivity analysis for price risk

Considering price risk exposure at the reporting date, if the prices of financial investments at FVTOCI had been 5% higher or lower, the fair value reserve would be €527 thousand higher or lower.

21. Related party transactions

With regard to the year 2018, 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 EXOR S.A. for EUR 144.7 million including interest at 0.25% (€0.3 million).
b) Financial receivables related to a loan granted to EXOR Nederland for $310 million (€271 million) including interest at Euribor 1 months + 0.7% (€7.3 million) and to the dividend declared but not paid at 31 December 2018 (€52.4 million).
c) Trade receivables (€71 thousand) related to corporate services and compensation for members of corporate boards.
d) Trade and other payables (€3.0 million) related to accounting, IT and logistic services, consulting related to investments and the compensation of the Board of Directors.

The economic effects of related party transactions are as follow:

a) Dividends received from EXOR S.A. for €355.6 million, CNH Industrial N.V. for €51.4 million, Ferrari N.V. for €31.5 million, EXOR Nederland for €52.4 million and The Economist Group for €14.5 million.
b) Services received from subsidiaries amount to €2,310 thousand related to accounting, IT and logistic services, €2,298 thousand for consulting related to investments and €239 thousand for other services.
c) Board members and Chairman and Chief Executive Officer compensation for €673 thousand and €5,421 thousand respectively. Board membership fees for €290 thousand have been waived.
d) Interest income on the loan granted to Almacantar for €3.1 million, on the loan granted to EXOR Nederland for €7.3 million and on the loan granted to EXOR S.A. for €0.3 million.

22. Earnings per share

Earnings per share information is provided in Note 12 to the consolidated financial statements.

23. Audit fees

Audit fee information is provided in Note 36 to the consolidated financial statements.

24. Remuneration

Information on the remuneration of the members of the board of directors is included in the Remuneration report sections of the Board Report.

25. Commitments and contingencies

None.

26. Subsequent events

The company has evaluated subsequent events through 27 March 2019, which is the date on which the financial statements at 31 December 2018 were authorized for issue.
In the course of 2019 EXOR continued to purchase ordinary shares under the program approved for a total amount of € 94,623 thousand. At 15 March 2019, the Company holds 8,414,646 ordinary shares in treasury (3.49% of issued capital).
Based on the proposals made by the boards of the subsidiaries FCA, CNH Industrial and Ferrari, EXOR expects to receive in 2019 dividends for €292,116 thousand (excluding the announced but not yet proposed extraordinary dividend from the disposal of Magneti Marelli), €66,047 thousand and €45,768 thousand, respectively.

On 27 March 2019, the Board of Directors approved a distribution to the holders of common shares of €0.43 per common share, corresponding to a total distribution to shareholders of approximately €100 million, considering the shares outstanding and entitled to receive the dividend as of the present date. The distribution will be made from the profit of the year and from the retained earnings reserve, which are distributable under Dutch law. The distribution remains subject to the adoption of the company's 2018 annual accounts at the annual general meeting of shareholders to be held on May 2019.

27 March 2019

The Board of Directors

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

Annemiek Fentener van Vlissingen

António Horta-Osório

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.

APPROPRIATION OF PROFIT AND DIVIDENDS

Dividends will be determined in accordance with articles 28 and 29 of the Articles of Association of EXOR N.V. The relevant provisions of the Articles of Association read as follows:

1. The Board may decide that the profits realized during a financial year are fully or partially appropriated to increase and/or form reserves.
2. Out of the profits remaining after application of Article 28.1, with respect to the financial year concerned, primarily and insofar as possible, a dividend is paid in the amount of one per cent (1%) of the amount actually paid on the Special Voting Shares in accordance with Article 13.5. These dividend payments will be made only in respect of Special Voting Shares for which such actual payments have been made. Actual payments made during the financial year to which the dividend relates, will not be counted. No further distribution will be made on the Special Voting Shares. If, in a financial year, no profit is made or the profits are insufficient to allow the distribution provided for in the preceding sentences, the deficit will be not paid at the expense of the profits earned in following financial years.
3. The profits remaining after application of Articles 28.1 and 28.2 will be put at the disposal of the General Meeting for the benefit of the holders of Ordinary Shares. The Board will make a proposal for that purpose. A proposal to pay a dividend to holders of Ordinary Shares will be dealt with as a separate agenda item at the General Meeting of Shareholders.
4. Distributions from the company's distributable reserves are made pursuant to a resolution of the Board and will not require a resolution from the General Meeting.
5. Provided it appears from an unaudited interim statement of assets signed by the Board that the requirement mentioned in Article 28.10 concerning the position of the company's assets has been fulfilled, the Board may make one or more interim distributions to the holders of Shares.
6. The Board may decide that a distribution on Ordinary Shares will not take place as a cash payment but as a payment in Ordinary Shares, or decide that holders of Ordinary Shares will have the option to receive a distribution as a cash payment and/or as a payment in Ordinary Shares, out of the profit and/or at the expense of reserves, provided that the Board is designated by the General Meeting pursuant to Article 6.2. The Board shall determine the conditions applicable to the aforementioned choices.
7. The company's policy on reserves and dividends shall be determined and can be amended by the Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.
8. No payments will be made on treasury shares and treasury shares shall not be counted when calculating allocation and entitlements to distributions.
9. All distributions may be made in United States Dollars.
10. Distributions may be made only insofar as the company's equity exceeds the amount of the issued capital, increased by the reserves which must be kept by virtue of the law or these Articles of Association.
11. Dividends and other distributions will be made payable pursuant to a resolution of the Board within four weeks after adoption, unless the Board sets another date for payment. Different payment release dates may be set for the Ordinary Shares and the Special Voting Shares.
12. A claim of a Shareholder for payment of a distribution shall be barred after five years have elapsed after the day of payment.

Independent auditor's report

To: the shareholders and the audit committee of EXOR N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 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, 2018 and of its result and its cash flows for 2018 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, 2018
- The following statements for 2018: 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	€435 million (2017: €450 million)
Benchmark applied	Approximately 5% of EBIT (earnings before interest and income taxes)
Explanation	In 2018 we have changed the basis used to set our materiality: as a consequence of the close to break-even economic group results in previous years, we had set up our materiality at approximately 0.5% of Revenues. Since EXOR is showing a positive trend in profitability, we set our planning materiality at 5% of EBIT as an appropriate benchmark to determine materiality as we believe this is an important measure of the Company's performance.

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 €25 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 EXOR 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. This year two new key audit matters have been added, one related to the recoverability of non-current assets with definite useful lives with particular reference to EMEA and another to US emissions investigations.

Revenue recognition and sales commitments

Risk

Net revenues for the year 2018 amounted to €143,294 million, detailed as follows:

Net Revenues (€/million)	December 31, 2018	December 31, 2017
FCA*	110,412	105,730
CNH Industrial	25,179	24,739
Ferrari	3,420	3,417
PartnerRe*	4,694	5,016
Minors, elimin/adj.	(411)	(676)
Total	143,294	138,226

With regard to CNH Industrial, Revenue is recognized when control of the vehicles, equipment, services or parts has been transferred and the Group's performance obligations to the customers have been satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services.

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Revenue recognition and sales commitments	
Risk (continued)	The Group also enters into contracts with multiple performance obligations. For these contracts, the Group allocates revenue from the transaction price to the distinct goods and services in the contract on a relative stand-alone selling price basis. 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 is measured at the transaction price which is based on the amount of consideration that the group expects to receive in exchange for transferring the promised goods or services to the customer. Ferrari group enters into contracts that may include both products and services, which are generally capable of being distinct and accounted for as separate performance obligations, and allocates the transaction price to the performance obligations based on the stand alone selling prices for each obligation. Ferrari accounts for a contract with a customer when there is a legally enforceable contract between the Ferrari and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. The majority of revenue is recognized at a point-in-time or over a period of one year or less. The group also 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 the sale of spare parts and engines, as well as sponsorships, commercial and brand activities. Revenue recognition is inherently an area of audit risk which we substantially focus on. The Company disclosed its accounting policy for revenue recognition, which includes the disclosures of the impact of the IFRS 15 adoption and the disclosures on revenue, in the Note Basis of preparation and Significant accounting policies to the consolidated financial statements. • Please note that for FCA and PartnerRe revenue is not defined as key audit matter.

Revenue recognition and sales commitments	
Our audit approach	We designed and performed the following audit procedures to be responsive to this risk: ▸ 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. ▸ 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. ▸ 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, including the IFRS 15 implementation and the deferred revenue. ▸ We also ensured that assumptions included in the sales incentive reserve analysis are properly supported. Finally, we reviewed the adequacy of the disclosures made in Note 5 of the consolidated financial statements.
Key observations	Based on the procedures performed, we did not identify any evidence of material misstatement in the revenue recognized in the year in accordance with IFRS 15, nor in amounts deferred as of December 31, 2018 or in the disclosures required by IFRS 15.

Valuation of goodwill and other non-current assets with indefinite useful lives	
Risk	At December 31, 2018 the recorded amount of Goodwill and intangible assets with indefinite useful lives was €17,948 million, detailed as follows:

Goodwill and intangible assets with indefinite useful lives (€/million)	December 31, 2018	December 31, 2017
FCA	14,174	13,390
CNH Industrial	2,152	2,261
Ferrari	786	786
PartnerRe	770	739
Other minors	66	65
Total	17,948	17,241

The majority of these assets relate to goodwill (€14,377 million) and brands, trademarks and other intangible assets with indefinite useful lives (€3,571 million). Goodwill and intangible assets with indefinite useful lives are allocated to operating segments or to Cash Generating Units (CGU) within the operating segments, which represent the lowest level within the Group at which goodwill is monitored for internal management purposes in accordance with IAS 36, Impairment of Assets. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that an asset may be impaired.

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Valuation of goodwill and other non-current assets with indefinite useful lives	
Risk (Continued)	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. Specifically for FCA Group and APAC, expected future cash flows are sensitive to certain assumptions, primarily the expected margins for the terminal period which directly impact the valuation of goodwill. 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 13 of the consolidated financial statements.
Our audit approach	We designed our audit procedures to be responsive to this risk. ▸ 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 ▸ 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 ▸ The forecasted cash-flows are an important input for the assessment of the recoverability. We have reconciled these forecasts for the cash generating units with the approved strategic plans ▸ We also assessed the forecasting quality by comparing forecasts as included in tests prepared in prior years to the actuals ▸ Assisted by our valuation experts, we performed independent calculations to validate the sensitivity analysis Finally, we reviewed the adequacy of the disclosures made by the Company in this area.
Key observations	Based on the results of our work, we agree with the Company's conclusion that no impairment of goodwill is required in the current year. With regards to APAC in FCA Group, as the carrying amount of goodwill is sensitive to certain assumptions, primarily the expected margins for the terminal period, we agree with the additional disclosure made in the consolidated financial statements.

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<table>
<tr><th colspan="2">Recoverability of non-current assets with definite useful lives with particular reference to EMEA</th></tr>
<tr><td>Risk</td><td>With regard to FCA Group, at December 31, 2018 the non-current assets with definite useful lives amounted to €38,056 million, of which property, plant and equipment for €26,307 million and intangible assets for €11,749 million (intangible assets with definite useful lives mainly consist of capitalized development expenditures primarily related to NAFTA and EMEA).

The recoverability of non-current assets with definite useful lives is based on the estimated future cash flows, using the Company's current business plan, of the cash generating units to which the assets relate. The Company's business plan could change in response to evolving requirements and emerging technologies, which may result in changes to Company's estimated future cash flows and could affect the recoverability of Company's 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.

As a result of the operational and financial performance in EMEA, the Company performed an impairment assessment on the non-current assets with definite useful lives of EMEA region.

Due to the size and the uncertainty and potential volatility of the estimated future volumes, contribution margin and other factors, such as new laws and regulations, used in the impairment test, any change in the assumptions used could materially affect the result of the company's operations.

The disclosures on non-current assets with definite useful lives are included in the Basis of preparation and significant accounting policies.</td></tr>
<tr><td>Our audit approach</td><td>▸ We designed the following audit procedures to be responsive to this risk:
▸ We obtained an understanding of the impairment assessment processes and evaluated whether the impairment methodology applied by the Company is in line with the requirements per IAS 36.
▸ We involved our EY valuation specialists, to test the methodology used in performing the impairment test as of December 31, 2018, including:
    ▸ Assessment of the impairment test model and evaluation of the discount rates applied within the model and development of EY independent calculations.
    ▸ Sensitivity analyses of key assumptions for each platform and alternative scenarios, to determine which changes could materially impact the valuation of the recoverable amount.
▸ We evaluated the other key assumption applied in determining the recoverable amount with particular reference to volume, contribution margin, D&A, capex and contributory charge.
▸ We validated that the CGUs (i.e., platforms) identified continue to be appropriate in the current year and tested the allocation of asset to the carrying value of each platform.</td></tr>
</table>

Recoverability of non-current assets with definite useful lives with particular reference to EMEA	
Our audit approach (continued)	▸ We performed procedures to assess the reasonableness of cash flow forecasts for each platform, including comparisons to industry forecasts and sector data. ▸ We analyzed the consistency and reconciliation of the forecasted cash flow by platform to the EMEA regional business plan as used in the goodwill impairment analysis. ▸ We evaluated the appropriateness of the use of these forecasts in light of the historical accuracy of the Company's forecasts. ▸ We performed controls and substantive testing over the Prospective Financial Information used for the purposes of the impairment assessment. ▸ We reviewed any subsequent events which might significantly impact the impairment conclusions reached. Finally, we reviewed the adequacy of the disclosures made by the Company in this area which is disclosed in the Basis of preparation and significant accounting policies - Recoverability of non-current assets with definite useful lives.
Key observations	We concur with the Company's methodology used in performing the impairment test of EMEA segment of FCA Group as of December 31, 2018. With regards to FCA, as the recoverability of the carrying amount of non-current assets with definite lives in EMEA depend on the development and launch of additional vehicles, we agree with the additional disclosure made in the consolidated financial statements.

Income tax - recoverability of deferred tax assets (with particular reference on Italian DTA for FCA and CNHI)	
Risk	Net deferred tax assets and liabilities as at December 31, 2018 amounted to €1,407 million, detailed as follows:

Net deferred tax assets and liabilities (€/million)	December 31, 2018	December 31, 2017
Deferred tax assets on temporary differences	9,070	8,943
Deferred tax liabilities on temporary differences	(7,448)	(6,323)
Deferred tax assets on tax losses carried forward	5,784	5,501
Unrecognized deferred tax assets	(5,999)	(5,788)
Total	1,407	2,333
Detailed as follows		
Deferred tax assets	2,697	2,928
Deferred tax liabilities	(1,290)	(595)

At December 31, 2018, the Group had deferred tax assets on deductible temporary differences of €9,070 million and on tax losses carried forward of €5,784 million, of which €5,999 million were not recognized. The majority of these assets relate to FCA Group and to CNH Industrial Group. At FCA and CNHI, the recognized and unrecognized amounts related to Italy are €1,168 million and €2,461 million respectively.

The analysis of the recognition and recoverability of the deferred tax assets (in particular on Italian tax unit for FCA and CNHI) was significant to our audit because the amounts are material and the assessment of the amounts of deferred tax assets to be recognized involves judgments and estimates in relation to future taxable profits and hence the capacity to utilize available tax assets in both these tax jurisdictions.

The disclosures in relation to income taxes are included in note 10 of the consolidated financial statements.

Income tax - recoverability of deferred tax assets (with particular reference on Italian DTA for FCA and CNHI)	
Our audit approach	We designed our audit procedures to be responsive to this risk. ▸ 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. ▸ We have evaluated the Company's assumptions and estimates in relation to the likelihood of generating 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. ▸ We have involved EY tax specialists to support us in these procedures. Finally, we reviewed the adequacy of the disclosures made by the Company in this area.
Key observations	Based on the procedures performed, we concluded that the deferred tax asset balances at year-end are materially correct and adequately disclosed in the financial statements.

Provisions for product warranties and recall campaigns (with particular reference on NAFTA for FCA - Ferrari)	
Risk	Other provisions of the year 2018 amounted to €19,100 million, detailed as follows:

Other provisions (€/million)	December 31, 2018	December 31, 2017
Warranty and recall campaigns provision	7,679	7,750
Other risks	11,421	10,492
Total	**19,100**	**18,132**

At December 31, 2018 the provision for product warranties amounted to €7,679 million, of which €6,760 million related to FCA Group and €111 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 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.

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<table>
<tr><th colspan="2">Provisions for product warranties and recall campaigns (with particular reference on NAFTA for FCA - Ferrari)</th></tr>
<tr><td>Risk
(continued)</td><td>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.

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. Cost associated with these actions are recorded in Cost of Sales in the Consolidated Income Statements.

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.

The Company's disclosures related to Provisions for product warranties and recall campaigns are in Note 25 of the consolidated financial statements.</td></tr>
<tr><td>Our audit approach</td><td>We designed our audit procedures to be responsive to this risk.
► We obtained an understanding of the warranty process, evaluated the design of, and performed tests of controls in this area
► 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
► For FCA NAFTA segment, EY actuaries determined their own range for the provision for the NAFTA product warranty and recall campaign amounts

Finally, we reviewed the adequacy of the disclosures made by the Company in this area.</td></tr>
<tr><td>Key observations</td><td>Based on the results of our procedures, including our assessment that the Company's provision was within the range of possible outcomes independently determined by EY actuaries, we are satisfied that the product warranty and recall campaigns provision is appropriate at December 31, 2018.</td></tr>
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<table>
<tr><th colspan="2">Valuation of technical reinsurance reserves</th></tr>
<tr><td>Risk</td><td>At December 31, 2018 the recorded amount of the technical reinsurance reserves was €12,372 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.</td></tr>
<tr><td>Our audit approach</td><td>We designed our audit procedures to be responsive to this risk.
► We tested the design and the operating effectiveness of internal controls over the technical reserves.
► We performed substantive testing on claims, case reserve estimates and the inputs used to determine IBNR.
► We have substantively tested the Company's ceded recoverable amounts through verifying managements calculation of ultimate losses relating to significant retrocession contracts. We also reviewed key contracts with assistance from our actuarial team to verify the losses related to the catastrophes were covered and therefore recoverable.
► EY actuaries have assisted and independently re-projected the reserves.
► We reviewed the Company's third party actuarial review completed during the year on non-life reserves and considered how those results compared to our independent evaluation.

Finally, we reviewed the adequacy of the disclosure made by the Company in Note 26 of the consolidated financial statements in this area.</td></tr>
<tr><td>Key observations</td><td>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, 2018.</td></tr>
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US emissions investigations	
Risk	On January 10, 2019, the Company announced that FCA US reached final settlements on civil, environmental and consumer claims with the U.S. Environmental Protection Agency (EPA), U.S. Department of Justice, the California Air Resources Board, the State of California, 49 other States, U.S. Customs and Border Protection and in connection with a putative class action on behalf of consumers, for which the Company has accrued €748 million. The Company remains subject to diesel emissions-related investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice, Criminal Division. In addition, the Company remains subject to a number of related private lawsuits and the potential for additional claims by consumers who choose not to participate in the class action settlement. The US emissions investigation was elevated to a significant risk (and to a KAM) during our audit due to the material impact to the 2018 financial statements coupled with the uncertainty associated to the timing of the negotiations between the Company and the several counterparties, which might impact the determination of a reasonable range and the related accounting of the provision in the correct period. Although the Company reached an agreement to settle certain aspects of this litigation in January 2019, and the related level of uncertainty and management judgment has been reduced to a lower level, the US emissions investigation was a matter that was of most significance in the audit of the consolidated financial statements as of and for the year ended December 31, 2018. The disclosures on the US emissions investigation are included in Note 31 of the consolidated financial statements.
Our audit approach	We designed the following audit procedures to be responsive to this risk: General litigation matters: ▸ We obtained an understanding of FCA Group's process, evaluated the design of, and performed tests of controls in this area. ▸ Performed controls and substantive testing over the underlying calculations and supporting documentation. ▸ We obtained internal and external legal opinions which supports management position. ▸ We inquired with management, internal and external legal counsel to test the conclusions reached. ▸ We use EY specialists in certain litigation matters.

US emissions investigations	
Our audit approach (continued)	With respect to the US emission settlement and related charge: ▸ We monitored the progress of the US investigation and related settlement discussions through our 2018 audit opinion date including obtaining and reviewing written communications between regulators and FCA Group. ▸ We discussed the status and progression of the US investigation with FCA Group's internal and external counsel through the 2018 audit opinion date. ▸ We reviewed the settlement amounts from the January 2019 subsequent event as compared to the September 30, 2018 provision, including the additional charge of €35 million ($41 million). ▸ We reviewed the tax treatment of the various components of the settlement. ▸ We monitored and evaluated management's conclusions regarding the accounting impact of investigation on the consolidated financial statements, including review of FCA Group's accounting position paper and settlement agreements. With respect to the open matters associated with the emissions investigation: ▸ We continued our shadow review with the help of EY specialists, including a review of correspondence with the various regulators and reviewing documentation submitted to the regulators in response to the ongoing investigation through the issuance of our auditor's reports. Finally, we reviewed the adequacy of the disclosures made by the Company in this area.
Key observations	Based on the procedures performed, we concur with the provisions for legal proceedings and disputes as of December 31, 2018. With regards to the US Emissions investigations, we agree with the accounting for the settlements and the related charge as well as the disclosures made in the financial statements on the open matters associated with the US emissions investigations.

Valuation of investments of reinsurance companies	
Risk	At December 31, 2018 the investments of reinsurance companies amounted to €13,742 million, entirely related to the PartnerRe Group. Reinsurance investments include fixed income securities, short-term investments, equities, accrued interest, non-foreign exchange derivatives, other invested assets and funds held by reinsurance companies. The Group elects the fair value option for all of its fixed maturities, short-term investments, equities and certain other invested assets (excluding those that are accounted for using the cost or equity methods of accounting). Other invested assets consist primarily of investments in non-publicly traded companies, private placement equity and fixed maturity investments, derivative financial instruments and other specialty asset classes. The remaining other invested assets are recorded based on valuation techniques depending on the nature of the individual assets. The valuation techniques used by the Company are generally commensurate with standard valuation techniques for each asset class. The valuation 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. 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. 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.
Our audit approach	We designed our audit procedures to be responsive to this risk. ▸ 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. ▸ We obtained an understanding of management's valuation methodology for their various classes of fixed maturity and public equity securities. For a sample of securities that exhibited characteristics of having higher estimation uncertainty, we utilized our EY valuation specialists to assist in testing the valuation. For all other securities, we independently obtained corroborative pricing from alternative pricing sources to management. ▸ Additionally, we performed back testing which consists of comparing actual sales of securities to the recent fair values recorded by management.

Valuation of investments of reinsurance companies	
Our audit approach (continued)	► 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. Finally, we reviewed the adequacy of the disclosure made by the Company in Note 18 of the consolidated financial statements in this area.
Key observations	Based on the results of our procedures, including review by our valuation experts, we are satisfied that the valuations of investments of reinsurance companies are appropriate at December 31, 2018.

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 as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 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 substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report on operations in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by 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 engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

- 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, March 27, 2019

Ernst & Young Accountants LLP

Signed by P.W.J. Laan