



Dear Shareholders,

EXOR's Net Asset Value, or NAV, grew by 21.2% in 2015, outperforming the MSCI World Index denominated in Euros (our benchmark), which grew by just 8.3% during the same period.

The largest contributor to our performance was FCA, thanks to an increase in its share price of 34.4% (reflecting its great operating performance during the year, the Ferrari IPO and the expectations around its spin-off) and its significant weighting in our Gross Asset Value (38 % of GAV).

#### EXOR NAV PERFORMANCE vs. THE MSCI WORLD INDEX (in Euros)

Year	Annual percentage change		
	1 - EXOR NAV	2 -MSCI World Index Euro	Relative results (1-2)
2009	93.3	37.8	55.5
2010	45.8	17.2	28.6
2011	-24.4	-4.5	-19.9
2012	20.6	11.4	9.2
2013	16.2	18.7	-2.5
2014	14.8	17.2	-2.4
2015	21.2	8.3	12.9
<b>Compounded annual rate</b>	<b>23.1</b>	<b>14.9</b>	<b>8.2</b>

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

#### EXOR NET ASSET VALUE ( NAV )

€ millions	12/31/2014	12/31/2015	Change	
			absolute	percentage
<b>Gross Asset Value</b>	12,005	<b>15,186</b>	<b>3,181</b>	<b>+26.5%</b>
<b>Gross Debt</b>	(1,671)	<b>(2,698)</b>	<b>(1,027)</b>	<b>+61.5%</b>
<b>Ordinary holding costs over 10 years</b>	(170)	<b>(170)</b>	-	-
<b>Net Asset Value</b>	10,164	<b>12,318</b>	<b>2,154</b>	<b>+21.2%</b>

I would like to set out the significant events that all of us at EXOR lived through in 2015, events that have led to a substantial change in our Company.

We got off to a busy start to the year by selling C&W (Cushman & Wakefield), a real-estate business we have owned for close to a decade. In 2006, C&W was making \$116 million in EBITDA from revenues of \$1.5 billion. Little did we know what was just around the corner when we acquired 71.52% of the company in March 2007 for \$625 million.

The 2008/2009 financial crisis then unfortunately hit C&W very hard and in 2009 it posted its first-ever loss in almost one hundred years of business.

In contrast to other industry leaders, C&W did not require a capital increase, thanks to the strength of its balance sheet (as you know, we like conservative financial structures). We used the crisis to improve the business by transforming it into a truly global company with more recurrent revenues (mainly through organic growth).

A quick summary of what was achieved during our C&W ownership:

- Global revenues increased from \$1.5 billion in 2006 to \$2.1 billion in 2014 (+37%);
- Asia Pacific revenues went up from \$44 million in 2006 to \$173 million in 2014 (+293%);
- Corporate Investor Service revenues (which are primarily recurring revenues) grew from \$186 million to \$605 million (+225%);
- EBITDA grew 51%, from \$116 million in 2006 to \$175 million in 2014 (the company's best ever EBITDA performance);
- EBITDA margin increased from 7.6% in 2006 to 8.4% 2014 (in contrast C&W's two leading competitors saw their margin decline by more than three percentage points);
- Total employees grew 41% from 11,500 in 2006 to 16,200 in 2014.

As a result of C&W's operational improvements, its discipline in deploying capital and a very strong rebound in the commercial real-estate market, primarily in the US, we were able to achieve the sale of the business at an enterprise value of \$2.04 billion, generating net cash proceeds of \$1.3 billion and a capital gain of \$722 million on our investment. During our ownership, we significantly outperformed the MSCI World Euro Index benchmark and the stock market performance of C&W's principal listed competitors.

As a long-term responsible owner, we are very proud of the company's achievements and of the fact that as a result of this transaction we contributed to the creation of the second-largest property services firm in the world.



It will operate with the iconic “Cushman & Wakefield” brand and under the leadership of the highly talented and experienced CEO Brett White. A great way to celebrate the company’s first 100 years in 2017.

Having secured the money from the C&W sale, we returned to concentrate on our role as business builders and focused our attention on a major project to acquire the reinsurer PartnerRe, for which we made an offer on April 14.

The process proved more complicated than we had anticipated and we learned a huge amount along the way. The journey was bumpy, but with 99.4% of shareholders supporting our final offer of \$6.9 billion, we were able to secure the largest single acquisition in the 100+ years of our family business.

PartnerRe is a very deliberate addition to our portfolio. As a business it matches all our pre-established criteria: we wanted to make a large investment in (i) a global player and industry leader (ii) a business that required little capital expenditure to operate (iii) delivering sustainable cash earnings and flows of dividends, and (iv) with a well-defined governance structure. Incidentally, we were also a founding partner of the company back in 1993 when it started life with \$1 billion of equity and eight employees under the very entrepreneurial leadership of Herbert Haag.

PartnerRe today has equity of \$6 billion, having distributed close to \$7 billion in capital to shareholders in the form of dividends (\$2 billion) and through share buy-backs (\$5 billion). The company issued \$3 billion of capital during that period (mainly for acquisitions).

Reinsurers play a fundamental role in the insurance industry value chain:

Primary insurers cede to reinsurers a share of their premiums – and of the liabilities associated with them – that they cannot or are not willing to carry on their own books, because they don’t have sufficient capital, are concerned about the earnings volatility or because of the concentration of risk on their balance sheet.

As a consequence, a reinsurer’s role is to absorb and deal with the most volatile risks, the ones that usually have a low probability of materializing but a potential significant impact. For example, a typical product offered by a reinsurer is protection against catastrophic events, such as hurricanes and earthquakes.

By assuming fractions of exposures from a large base of insurance cedants, reinsurers are able to build sufficiently diversified portfolios of risks – both in terms of sectors and geographies – that are quite efficient in terms of capital utilization.

We are interested in this sector for a number of reasons:

- a) Reinsurers have historically offered returns that exceed their cost of capital and the MSCI World index. Over the past 20 years the reinsurance industry has delivered an annualized Total Shareholder Return of ~11% vs. 6.5% returned for the MSCI World (Exhibit 1).

**Exhibit 1 – Total Shareholder Returns of reinsurance companies vs. MSCI World over 20 years**



1- Reinsurance Index companies: Munich Re, Swiss Re, Hannover Re, SCOR, RGA, Everest Re, PartnerRe, RenaissanceRe

- b) Reinsurers usually generate strong cash flows, which they tend to distribute to shareholders through dividends or buybacks, as they don't need lots of capital expenditure to operate (which is not the case for industrial businesses, as we know well).
- c) It is reasonable to expect that this industry is one that will be needed for many decades to come. It will change and adapt, but ultimately it will be relatively difficult to disrupt (that's less clearly the case with primary insurance companies). Whatever business models its clients might develop, they will still need an expert and flexible capital partner to help them manage their risks.
- d) An investment in the financial services industry diversifies our portfolio. Following the acquisition, PartnerRe will become EXOR's largest single holding representing ~37% of the overall Gross Asset Value on a pro-forma basis (as of December 31, 2015, taking into account FCA and Ferrari as separate companies).

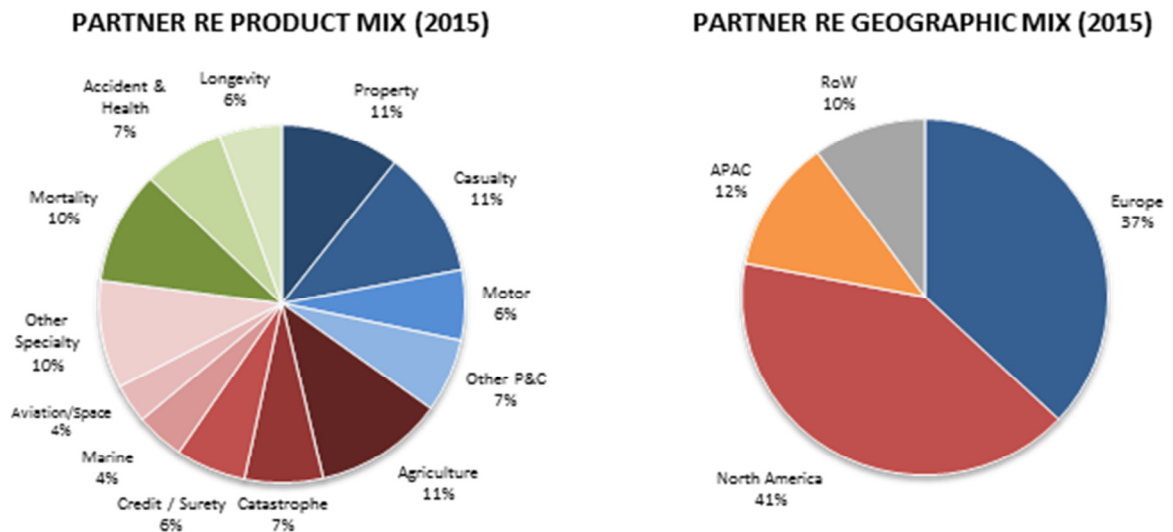


Ultimately as a long-term owner we value durability, which is one of the attributes of the reinsurance industry.

Having decided to invest in reinsurance, there are a number of reasons for choosing PartnerRe:

- a) it has a large balance sheet (\$7.7 billion in total capital, of which \$6 billion is common equity), allowing it to offer large capacity to its clients in a market environment where clients prefer to do business with a smaller number of reinsurers. PartnerRe is one of the largest reinsurers worldwide, both in terms of capital and premium income.
- b) It has a global presence and a diversified product offering (Exhibit 2). This means it can withstand weaknesses in parts of its portfolio while taking advantage of relative strengths in other parts. In addition, it's not over-dependent on the property catastrophe business, the segment that is currently most affected by competition from alternative capital.

**Exhibit 2 – PartnerRe product and geographic mix**



- c) It has historically demonstrated its ability to generate superior performance compared with its industry peers. Over the past ten years, PartnerRe has delivered an average operating ROE of 13.2% and growth in adjusted book value per share of 13.1%, both above the peer group average; and
- d) it is well-known in the industry for its conservative and disciplined underwriting approach, and prudent reserving strategy. This should help it avoid costly mistakes, particularly in the current challenging market environment.



We also believe that there are several reasons why we will be a good owner of PartnerRe:

- a) PartnerRe will have the ability to allocate and deploy capital to maximize long-term returns as opposed to responding to short-sighted public market pressures. For example, PartnerRe will have more flexibility in managing the underwriting cycle, reducing exposure to risk when it is inadequately priced.
- b) Differently from its publicly listed peers who face daily pressure to operate with a “lean” balance sheet, PartnerRe will be able to maintain excess capital in order to serve clients with a strong and safe balance sheet and at the same time it will be equipped to increase its market presence rapidly when reinsurance prices improve.
- c) Unlike most of its competitors, who are aggressively growing in primary insurance, PartnerRe will remain committed to its pure reinsurance model, thus avoiding entering into competition with its own clients. This conflict-free business model should reinforce the company’s competitive positioning over time by strengthening customer relations while maintaining pricing discipline.

We are delighted indeed to have acquired this highly talented organization. But we are also well aware that the reinsurance industry will continue to face many challenges in the coming years. Some of them are cyclical (a growing reinsurance industry capital base and a continued low interest rate environment). Others are structural (such as the growth of the alternative capital business and an increasing sophistication among primary insurers in their assessment of their reinsurance purchasing needs). These are likely to reduce the industry’s profitability.

Ajit Jain, to whom we owe a lot for sharing his insights into the industry with us, has been very clear publicly that “what was a very lucrative business is no longer a very lucrative business going forward”. We made our investment in PartnerRe with a clear understanding of these realities.

That said, we are confident that even if it might not be as lucrative as in the past, the sector will continue to be attractive, thanks especially to the strong capabilities and clear willingness to embrace change that we see in the PartnerRe organization as it adapts to a more challenging environment.

So by the end of July we had sealed this transformative acquisition. But our eventful year did not stop there. It was at around the same time that I received a call to gauge our interest in acquiring Pearson’s 50% shareholding in The Economist Group.



We have been a happy shareholder of the company since 2009 and I have had the privilege to serve on its board since then. This first-hand knowledge of the business made a quick decision easy. Even so, the unique ownership structure designed to ensure editorial independence from proprietorial interference and the historical significance of this change of ownership, meant it was important that we understood all stakeholders' objectives.

I'm very grateful to Rupert Pennant-Rea, Chairman of the Board and a former Editor of The Economist, as, without him we would not have been able to reach an agreement on an offer that satisfied the trustees, directors, shareholders, journalists and non-journalist employees of the company alike, whilst also meeting the seller's objectives on timing and valuation.

On August 12 we announced a proposal to acquire 100% of the issued "B" Shares (and with them the right to appoint 6 out of 13 members of the Board, the other 7 being appointed by the "A" Shareholders) and 27.8% of the Ordinary shares, with The Economist Group itself buying the remainder of the Ordinary shares that were for sale.

We paid no premium to acquire the Ordinary shares, but the transaction did include a 30% premium for the "B" shares which reflects their representation rights (based on the annual valuation made by Ernst & Young).

As a result of the transaction, our ownership has increased from 5% to just under 44% with a £287 million total investment, which is a rich valuation. But this valuation reflects the strength of the business, the accretive effect of the buy-back funded primarily by the sale of The Economist building, which no longer fits the needs of a vibrant 21st century news organization, and the strong support from the Editor Zanny Minton Beddoes and the living former Editors, who all believe the new ownership will increase the uniqueness and independence of The Economist's voice in the world. We are therefore very comfortable with the price paid.

The Economist Group is a great business that is well led by Chris Stibbs and his team. In 2015 it generated revenues of £328 million, an operating profit margin of 18.3% and profit after tax of ~£50 million. Exceptional in the industry has been the Group's ability to shift profitably away from advertisement-based revenue to paid circulation and from the print to the digital world.

You can see this in what has been achieved:

1. Margins from the circulation business have moved from a loss of £6 million in FY07 to a profit of £28 million in FY15.
2. At the same time, the Group has reduced its dependency on the volatile and cyclical advertising market. Over ten years the share of Group revenues from advertising has fallen from 46% in FY07 to 23% in FY15.

3. While the Group has been investing in marketing to grow full-price circulation, it has also made that marketing more efficient, so that the marketing spend, which now stands at £32 million, has gone from 48% of circulation revenues in FY07 to 30% in FY15.
4. The shift to content-driven revenues has been underpinned by the growth of the Economist Intelligence Unit business, where profits have grown from £5 million to £16 million.
5. The Group's performance has been reflected in positive shareholder returns on investment. It has delivered a 17% IRR on every 1 Pound invested in FY05 – during this time the share price has risen from £14 to £33 and average annual dividend yields of 6% have been delivered.

The future promises to be even more exciting thanks to technology that will enable The Economist to reach a growing number of “globally curious” readers around the world in existing and new ways.

2015 was extremely encouraging in this respect: digital sales are up 31%, their social media following reached 36 million, up 44%, and product innovation continued, including the launch of Economist Films, which I strongly recommend ([www.films.economist.com](http://www.films.economist.com)). Profits from paid circulation of The Economist grew 28% over the prior year and remain on track to double in the next five years. Elsewhere in the Group, paid content from the B-2-B businesses remained robust. In particular, the third industry vertical for the EIU was launched (consumer predictive analytics) via the acquisition of Canback, a management consulting firm based in Boston. Advertising revenues continued to be under pressure, mainly due to structural changes in the industry that will continue to have their effect in the years ahead.

On a personal note, I was very fortunate to be given a subscription to The Economist as a teenager and the magazine has been a constant source of pleasure and knowledge. Since then it's been a privilege to be more closely associated with this unique journalistic institution. It's with this in mind that I would like to make a personal gift this year to all the teenage children of current individual EXOR shareholders of a one year Print + Digital subscription to the newspaper (please visit by May 24 <http://www.exor.com/teens-economist>). I hope they will benefit from it as I have done.

This important year would not have been complete without the incredible achievements of Juventus, which won the Italian Championship for the fourth year in a row, the Italian Cup for the first time since 1995 and also played the final of the UEFA Champions League in Berlin, but sadly lost to Barcelona despite playing very well.





In his first year as Juventus coach, Massimiliano Allegri worked wonders. He, the team and the rest of the organization followed with great passion and commitment Club Chairman Andrea Agnelli's call to go "Fino alla Fine" ("all the way").

I would also like to highlight the return of "Scuderia Ferrari" to the top of the podium with a great comeback, thanks to the work of Maurizio Arrivabene, his team and world champions Sebastian Vettel and Kimi Raikkonen, who are all in great spirits now that the gap with Mercedes is closing. They are looking forward to beating them on the track.

To bring to a close my review of the more significant achievements of our 2015 year, I would like to thank all my EXOR colleagues for their outstanding work. They have been great and fully deserved the special bonus for their amazing efforts during the year.



## **GROSS ASSET VALUE**

Let me now describe in more detail the four components of our Gross Asset Value (GAV) as summarized in the table below:

### **EXOR GROSS ASSET VALUE ( GAV )**

€ millions	12/31/2014	12/31/2015	Change	
			absolute	percentage
Investments	8,347	10,139	1,792	+21.5%
Financial Investments	663	579	(84)	-12.7%
Cash and cash equivalents	2,233	4,035	1,802	+80.7%
Treasury stock	762	433	(329)	-43.2%
<b>Gross Asset Value</b>	<b>12,005</b>	<b>15,186</b>	<b>3,181</b>	<b>+26.5%</b>

### **INVESTMENTS (66.8 % of GAV)**

This line represents the principal component of our assets. I will only focus this year on FCA (our largest investment), where a lot happened in 2015. Next year I will also cover our other investments, which overall performed well.

A number of things contributed to FCA's strong results: Net Revenue of €113.2 billion, up 18%; an adjusted EBIT of €5.3 billion, up 40%; and Adjusted Net Profit of €2.0 billion, up 91%.

The star performer for the year was the Jeep Brand that achieved a worldwide record of 1.3 million vehicles shipped, up 21%. This was delivered on the back of a very successful product and geographic launch, with the Renegade shining and its production extended from Melfi (Italy) to Pernambuco (Brazil) and Changsha (China). The current negative outlook for the latter two countries did not stop FCA investing there, as their futures will certainly be brighter.

All of FCA's geographies were profitable in the last quarter of the year, which shows the strength of the global presence of the company, particularly in LATAM where Brazil was hit very hard (new car registrations in Brazil fell by 26.6% vs 2014).

The NAFTA Region more than doubled its profits and EMEA was back to sustainable profitability for the year.

The FCA components business also had a strong year, with revenues close to €10 billion and adjusted EBIT of around €400 million. It's less well-known than the car business, but it's a solid operation that's well diversified from a customer and product standpoint, with particular strengths in lighting and electronic systems.



Not everything went well. In particular, FCA suffered from an increasingly difficult regulatory environment, which is likely to become even more stringent in the future for all industry participants. This led to a change in the company's actuarial methodology for the estimate of future recall costs. An adjustment of €761 million was recognized for vehicles sold in the U.S. and Canada in prior periods.

On a more positive note, Net Industrial Debt fell from €7.7 billion to €6.0 billion thanks to positive free cash flow from operating activities, but also to an even stronger contribution from the cash proceeds of the Ferrari IPO (€ 0.9 billion). The current debt level takes into account the capital required to run the business, which is huge: the bill for 2015 was €9.2 billion.

Sergio Marchionne was very candid about this structural issue for the car business in his presentation "Confessions of a Capital Junkie". To give you an idea, the total weekly spend of the industry is higher than \$2 billion, and in the last decades the returns have never met the cost of capital (using proper accounting). And at least 50% goes on features that have no relevance to customers. I would strongly recommend you read this very sobering analysis of an industry in denial ([bit.ly/1RTrLln](http://bit.ly/1RTrLln)).

There's no doubt that mergers and integrations are hard to do and not all of them are successful. But as Sergio has demonstrated with the creation of FCA, they can work if they are carried out with respect for cultures and in a rational way.

It is interesting to see how in other capital-intensive industries two major transactions were announced recently, creating by far the leaders in their respective markets: Holcim and Lafarge in building materials and ABI with SABMiller becoming the largest brewer in the world. The car world will no doubt argue that these are simpler businesses that don't feature the technological complexity it has to manage.

But if we look at the defense industry in the US, which is certainly complex: prime contractors have gone from 16 to 6 from 1980 to 2010 driving ROIC from 10% to 40%. Or at the pharma business, which went through massive consolidation: the top 20 before 1995 became 11, with ROIC increasing from 34% to 50%. The sad reality is that the ROIC in the car business - a 'modest' 7.8% in 2014 - is far distant even from the numbers these industries started with before consolidation.

Some of FCA's competitors are convinced that they should not engage in "doubling down with the past" (i.e. consolidation), but embrace disruption with new technologies and business models that address the "mobility" market, which is twice as big as the one just selling new vehicles. This wave of hope reminds me of my early years as a director of FIAT when in 1999 Jacques Nasser was talking of transforming Ford "from a boring old car maker whose shares achieve a price-earnings ratio of only ten, into a consumer-products and services company commanding a multiple of more like thirty".

This led Ford to grow Hertz, create websites, invest in satellite radio and acquisitions (like Kwik Fit, which was bought for £1 billion later sold for £300 million).

We at FIAT were also convinced that value chain extension was the way to go and we ended up making very bad capital-allocation decisions, such as the acquisition of Midas in Europe or the creation of Viasat. We did not find the magic formula, so we went back to trying to make money as 'boring old car makers'.

Back then Sergio Marchionne was running Alusuisse, one of the world's largest aluminium businesses. Asked by financial analysts and investors about his internet strategy, he couldn't see how the World Wide Web would change the nature of this very capital-intensive industry, but he knew consolidation would, which led to a three-way merger and the creation of the then industry leader. Ultimately, the end result needs to be of significance rather than going through the pain without achieving sufficient scale. For FCA, if you look at doing something with the "Big Guys", our internal analysis indicates that you could end up with annual savings close to \$10 billion. If you value that in perpetuity it starts to become very interesting. But you need two to tango and most of our competitors are busy with the great opportunities that technological disruption has to offer.

There's no doubt that in this decade we'll see massive change as a result of electrification and other powertrain technologies that are mainly driven by the need to comply with increasing environmental regulation. This has also led to a lot of innovation in traditional combustion engines and if you look at the total cost/environment equation, it's unclear who wins.

But we're told that the really sexy stuff is now around connectivity, autonomous driving and diverse mobility (think Uber,...). So I would like to share some data from McKinsey's recent "Automotive 2030 report":

- In spite of shared vehicles, total car sales will grow from 87 million units in 2015 to 115-125 million units in 2030. Even in a high-disruption scenario, shared vehicles will account for only 9% of new vehicle sales. So 90% plus of vehicles will still be sold to private owners - just as they are today!

- By 2030, in a high disruption scenario, the share of Level 4 Autonomy (completely self-driven) new cars will be 15% maximum. So 85% of cars will not be fully independent and will need drivers. This is important because below L4 autonomy you still need a full-time driver and hence do not achieve any of the cost benefits of a driverless car.

Ultimately even in a high disruption scenario, new car sales will increase from \$2.75 trillion in 2015 to \$4 trillion in 2030, which is still a massive industry! Boring old car makers need to figure out how to make this profitable and guard against falling into the 1990 trap of ignoring that business while chasing profits in other parts of the value chain.



Sergio's common sense back in his aluminium days is still valuable and valid today and his practical approach is to work with the new industry participants rather than competing with them, reminds me of the poet Rumi's words: "Yesterday I was clever, so I wanted to change the world. Today I am wise, so I am changing myself."

### **FINANCIAL INVESTMENTS (3.8% of GAV)**

The aggregate performance of our financial investments was 10.3% in Euros, outperforming by 2 percentage points our benchmark the MSCI World index in Euros, which closed the year up 8.3%.

But this result reflects a mix of our third party funds (excluding Black Ant) that were the stars of 2015, achieving a 25.2% return for the year. They are focused on geographies and industries in which we don't invest directly but where we are comfortable with the principals who run them. We like to know with whom we are in business, which is even more important due to the illiquid nature of these funds.

We also did well in our directly managed equity investments, a concentrated portfolio of publicly traded stocks of companies in which we have no governance involvement. This performance is now a realized one, as we decided to sell all our liquid financial investments throughout the year to assemble the funds required for the acquisition of PartnerRe. We managed to achieve a 21.9% return, which was primarily driven by the performance of Allied World, where we invested in 2013, realizing since then a net gain of €60.4 million and a return of 64.7% in Euros (the currency played a big role; the return in USD would have been ~40%). It proved to be a great experience with the reinsurance world which we hope to continue.

Unfortunately our largest financial investment in the Black Ant fund (64.5% of the total financial investments) delivered a 0.3% return, which reduced the average return of the portfolio. But the good news is that it did not lose money and as we get closer to the redemption date in May 2017, a lot of attention is being paid to protecting our capital, which will help on the downside but will cap returns on the upside.

## **CASH AND CASH EQUIVALENT (26.6% of GAV)**

Throughout the year we maintained a cautious allocation: 71% in time deposits, 23% in liquid third-party funds and 6% invested in single-name corporate credit issuances.

In a very volatile forex market with 2015 year-end consensus estimates predicting euro-dollar parity, the main focus was to achieve a good average euro-dollar exchange rate (1.0950) for the conversion of essentially all our cash resources, in view of the large disbursement related to the PartnerRe acquisition.

The conversion allowed us to achieve a yield of 0.41% on our time-deposit holdings. This result would not have been reached in the Euro money market, which had negative interest rates in 2015.

## **TREASURY STOCK (2.8% of GAV)**

In 2015 we successfully placed a part of our treasury stock via an accelerated book build offering, at a discount of 5% on the same day's closing price.

My family, through Giovanni Agnelli & Co., participated along with institutions and individual investors, who share our long-term view. We are very proud to have them as shareholders of EXOR.

We sold around 50% of our treasury shares, raising €511 million. The average book price of the shares, sold at €42.60, was €14.41 per share.

Despite the important capital gain, the disposal of treasury shares was a difficult decision to take as we are positive about the future share performance of EXOR due to the potential of its underlying assets. But we wanted to strengthen our balance sheet given the large investments we committed to in 2015.

This was also a good opportunity to revisit our policy on treasury shares. At the upcoming Annual General Meeting in May we will propose to our shareholders to cancel all of those outstanding (excluding the shares we need to service our equity-based incentive plans).

In 2016 we will also change our performance metric from NAV to NAV per share in order to increase the discipline in how we use our shares (metrics drive behaviors: I learned this when I started my career at GE as a corporate auditor).



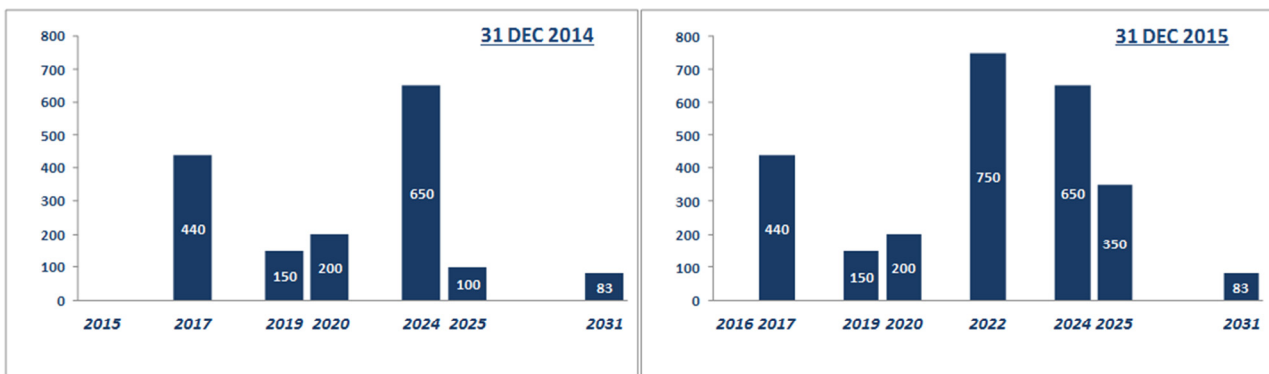


## GROSS DEBT

During 2015 our Gross Debt increased to €2.698 billion as we prepared for the inclusion of PartnerRe in our portfolio by starting to assemble the financial resources required to pay for it.

When financial markets recovered at the start of November after a prolonged period of volatility, we issued €1 billion in debt (through a €750 million public issue and a €250 million private placement) with an eight-year average maturity at a 2.3% annual average cost in interest, tapping investor demand for mid-to-long-term maturities. We took inspiration from a quote attributed to the Roman philosopher Seneca when he said “luck is what happens when preparation meets opportunity”.

The active management of our debt allowed us to extend the average maturity of our bond securities and reduced their average cost (from 3.9% in 2014 down to 3.3% in 2015).



## 2016

We began the year with the spin-off of Ferrari from FCA on January 4, from which EXOR emerged with a 23.5% economic interest in the standalone company. We hold 33.4% of the voting rights thanks to loyalty shares, which is a mechanism to incentivize long-term oriented shareholders by giving them more voting rights based on the duration of ownership.

To provide stability of ownership, we signed a shareholder agreement with Piero Ferrari (the son of the company’s founder Enzo Ferrari) to guarantee that more than 50% of the voting rights are committed to the long-term development of this extraordinary company.

A couple of points to highlight Ferrari’s enduring uniqueness:

- 60% of new Ferrari cars are sold to existing customers and 34% of existing clients own more than one Ferrari
- 9 of the 10 most valuable cars ever auctioned are Ferraris

- Scuderia Ferrari is the most successful Formula 1 team in history, with 224 Grand Prix victories, 16 Constructors Championships and 15 Drivers World Titles.
- Consistent strong financial performance over the past decade: shipments grew 3% but net revenues rose by 7% and EBITDA 11%, with the margin increasing from 18.2% in 2005 to 26.2% in 2015.

But the long-term prospects look even more exciting on the back of Ferrari's best year ever, having shipped 7,664 cars and earned net profits of €290 million (vs €265 million in 2014).

What clearly was not expected was the financial markets' volatility, which resulted in one of the worst trading environments in the stock market's history (EXOR's share price lost a third of its value since the beginning of this year). However here I would like to quote Howard Marks who said "permanent loss is very different from volatility or fluctuation. A downward fluctuation – which by definition is temporary – doesn't present a big problem if the investor is able to hold on and come out the other side".

We are determined to hold on, which is possible due to the permanent nature of our capital and because our staying power is real, after we worked to reduce our debt and extending its duration.

This will allow us to concentrate on developing our businesses' potential whilst meeting their different challenges. We will follow the Medici family motto "*festine lente*" (make haste slowly) by staying focused, especially at PartnerRe, the acquisition of which we finally closed on March 18. I very much look forward to working with Emmanuel Clarke, the company's home-grown, knowledgeable and talented leader who was named CEO in March.

This year we will be holding our Shareholder Meeting on May 25 at the Alfa Romeo Historical Museum in Arese, near Milan, Italy. It was inaugurated on June 24, 2015, following a restoration project that transformed the original building into a modern and unique brand center, hosting a bookshop, café, documentation service, test drive track, events venues and a showroom with a customer delivery area.

The Museum, which is named "La macchina del tempo" (the time machine), is the perfect combination of past, present and future. You will, I hope, enjoy discovering the permanent collection of 69 beautiful models which traces not just the development of the brand, but the very history of the automobile itself: from the very first A.L.F.A. car, the 24 HP, to the legendary Mille Miglia winners (such as the 6C 1750 Gran Sport driven by the legendary Tazio Nuvolari), the 8C coachbuilt by Touring and the "Alfetta 159" Formula 1 winner driven by Juan Manuel Fangio.





At the meeting room entrance, I suggest you to take time to admire our latest Alfa Romeo, the new Giulia: a number of my colleagues will be there to assist you in case you are seduced by the fascinating combination of beauty, technology and style, and decide to join the club of the Alfisti, the happy circle of Alfa Romeo customers.

As always, let me remind you that it is possible to ask questions in advance of the Shareholder Meeting by following the procedure set out on our web site [www.exor.com](http://www.exor.com).

Non-shareholders will also have the chance to raise questions by sending a short email to the following address: [agm@exor.com](mailto:agm@exor.com). The latter will be grouped together, summarized by subject and answered during the meeting.

I very much look forward to welcoming you to Arese!

A handwritten signature in blue ink, appearing to read 'John H.', with a long horizontal flourish extending to the right.