

# Risks and uncertainties

## MAIN RISKS AND UNCERTAINTIES TO WHICH EXOR S.p.A. and its principal subsidiaries are EXPOSED

### Risks associated with general economic conditions

The earnings and financial position of EXOR and its principal investment holdings are particularly influenced by the global economic recession in 2008 and in the first part of 2009 had a negative impact on the principal investment holdings. In general, the sectors in which the principal investment holdings operate have historically been subject to high volatility. Moreover, the markets in which the principal companies operate are exposed to variations in energy and raw materials prices. Accordingly, particular circumstances could have a material adverse effect on the earnings and/or financial position of EXOR.

### RISKS ASSOCIATED WITH EXOR'S ACTIVITIES

EXOR carries out investment activities which involve typical risks such as high exposure to certain sectors or industries. The ability to access capital markets or other forms of financing and the related costs are dependent, among other things, on the credit rating of EXOR. Any downgrade by the rating agencies could limit the Company's ability to access capital markets and increase the cost of financing. Standard & Poor's has confirmed EXOR's long-term and short-term debt ratings (respectively, BBB+ and A-2) and the Company's policy and that of the companies in the Holdings System is to keep liquidity available in demand or short-term. However, in consideration of the current international financial market situation, market conditions which might lead to a downgrade of EXOR's earnings not only depend on the market value of its principal investment holdings but also on the dividend policy of EXOR. EXOR operates through its investments in subsidiaries and associates in Agricultural and Construction Equipment, and in the Chemicals and Consumer Goods sectors. At the same date, EXOR also holds an investment in SGS (15% of capital) for an equivalent amount of €1,501 million. At December 31, 2011, the investments in Fiat Industrial (30.45% of ordinary share capital, 30.09% of preferred share capital) and in Fiat Group (100% of ordinary share capital) are significant. Therefore, the performance of the Fiat Industrial Group and the Fiat Group has a very significant impact on EXOR's earnings and financial position. EXOR and its subsidiaries and associates are exposed to fluctuations in currency and interest rates and use financial instruments to manage these risks. The subsidiaries and associates are generally exposed to credit risk which is managed by specific operating procedures. EXOR and its subsidiaries and associates are exposed to risks connected with the outcome of pending litigation.

The following paragraphs indicate the main specific risks and uncertainties of the companies in consolidation (Fiat Industrial Group, Fiat Industrial S.p.A. and Fiat Group).

### FIAT INDUSTRIAL GROUP

#### FIAT Industrial Group ? Risks connected with global financial markets and general economic conditions

The Group's earnings and financial position may be influenced by various macroeconomic factors ? including interest rate fluctuations. For example, the on-going effects of the global economic recession that began in 2008, including the eurozone crisis, have had a negative impact on the Group's earnings and financial position. In Europe, despite measures taken by several governments, international and supranational organizations and the Group's earnings and financial position may be influenced by various macroeconomic factors ? including interest rate fluctuations.

#### FIAT Industrial Group - Risks associated with financing requirements

The Group's future performance will depend on, among other things, its ability to finance debt repayment obligations.

#### FIAT Industrial Group - Risks associated with the credit rating of Fiat Industrial S.p.A.

On January 5, 2011, Moody's Investors Service assigned Fiat Industrial S.p.A. a Ba1 Corporate Family Rating.

The ability to access the capital markets or other forms of financing and the related costs are dependent, among other things, on the credit rating of EXOR.

#### FIAT Industrial Group - Risks associated with fluctuations in currency, interest and credit risk

The Group, which operates in numerous markets worldwide, is naturally exposed to market risks stemming from fluctuations in currency and interest rates.

The Group uses various forms of financing to cover funding requirements for its industrial activities and for financial services. Consistent with its risk management policies, the Group seeks to manage currency and interest rate risk through the use of financial instruments.

The Group's Financial Services activities are also subject to the risk of insolvency of dealers and end customers.

#### FIAT Industrial Group - Risks associated with relationships with employees and suppliers

In many countries where the Group operates, Group employees are protected by various laws and/or collective agreements.

Furthermore, the Group purchases raw materials and components from a large number of suppliers and relies on their ability to supply the Group in a timely and cost-effective manner.

#### FIAT Industrial Group - Risk associated with increase in costs, disruption of supply or shortage of raw materials

FIAT Industrial uses a variety of raw materials in its business including steel, aluminum, lead, resin and copper, and any interruption in the supply or any increase in the cost of raw materials, parts and components could negatively impact the Group's earnings and financial position.

#### FIAT Industrial Group - Risks associated with management

The Group's success is largely dependent on the ability of its senior executives and other members of management to effectively manage the Group's operations.

#### FIAT Industrial Group - Risks associated with the high level of competition in the industries in which the Group operates

Substantially all of the Group's revenues are generated in highly competitive sectors that include the production of automotive components, financial services, and the production of agricultural and construction equipment.

#### FIAT Industrial Group - Risks associated with selling in international markets and exposure to changes in local conditions

A significant portion of the Group's existing activities are conducted and located outside of Italy and the Group is exposed 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 dividends and interest;

foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on the repatriation of funds;

the introduction of more stringent laws and regulations.

Unfavorable developments in any one of these areas (which may vary from country to country in which the Group operates) could have a material adverse effect on the Group's earnings and financial position.

#### FIAT Industrial Group - Risks associated with environmental and other government regulation

The Group's products and activities are subject to numerous environmental laws and regulations (local, national and international).

In addition, government initiatives to stimulate consumer demand for products sold by the Group, such as changes in tax and other incentives, could have a material adverse effect on the Group's earnings and financial position.

#### FIAT Industrial Group - Risks associated with the ability to offer innovative products

The success of the Group's businesses depends on their ability to maintain or increase share in existing markets and to develop new products and services.

#### FIAT Industrial Group - Risks associated with operating in emerging markets

The Group operates in a number of emerging markets, both directly (e.g., Brazil, Argentina and India) and through Fiat Industrial Group - Risks associated with the capital goods market

More than other sectors, producers in the capital goods sector, such as CNH and Iveco are subject to:  
the condition of financial markets, in particular, the ability to access the securitization market and prevailing cyclicity, which can cause sudden declines in demand, with negative effects on inventory levels and

Fiat Industrial Group - Risks associated with the agricultural and construction equipment markets

Performance of the agricultural equipment market is influenced, in particular, by factors such as:

- the price of agricultural commodities and the relative level of inventories;
- the profitability of agricultural enterprises;
- the demand for food products;
- agricultural policies, including aid and subsidies to agricultural enterprises, provided by major governments

In addition, unfavorable climactic conditions, especially during the spring, a particularly important period for grain

Performance of the construction equipment market is influenced, in particular, by factors such as:

- public infrastructure spending;
- new residential/non-residential construction.

The above factors can significantly influence the demand for agricultural and construction equipment and, consequently,

## FIAT GROUP

Following is a brief description of main risks and uncertainties that could potentially have a significant impact on Fiat Group - Risks associated with global financial markets and general economic conditions

The Group's earnings and financial position may be influenced by various macroeconomic factors including interest rates

For example, the global economic recession in 2008 and the first half of 2009 had a negative impact on the Group's

Following the acquisition of control of Chrysler in 2011, nearly 45% of Group's on-going revenues are generated in

In general, the sector in which the Group operates has historically been subject to highly cyclical demand and to

Additionally, even in the absence of slow growth or recession, other economic circumstances such as increased

Fiat Group - Risks associated with the high level of competition and cyclicity of the automobile industry

Substantially all of the Group's revenues are generated in the automobile industry, which is highly competitive

Competition, particularly in pricing, has increased significantly in the Group's industry sector in recent years. In

Fiat has a relatively high proportion of fixed costs and may have significant limitations on the ability to reduce fixed

In the Automobiles business, sales to end customers are cyclical and subject to changes in the general conditions

Should the Group be unable to adapt effectively to external market conditions, this could have a material adverse

Fiat Group - Risks associated with the ability to offer innovative products

The success of the Group's businesses depends, among other things, on their ability to maintain or increase their

Fiat Group - Risks associated with the policy of targeted industrial alliances

The Group has engaged in the past, and may engage in the future, in significant corporate transactions such as

Fiat Group - Risks associated with the alliance with Chrysler

The acquisition of a controlling interest in Chrysler and the related alliance is intended to provide both Fiat and

The ability to realize the benefits of the alliance is critical for Fiat and Chrysler to compete with their competitors

Additionally, any adverse development in the Chrysler investment and the related alliance could have a material

Fiat Group - Risks associated with selling in international markets and exposure to changes in local conditions

The Group is subject to risks inherent to 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
- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on
- the introduction of more stringent laws and regulations.

Unfavorable developments in any one of these areas (which may vary from country to country in which the Group

Fiat Group - Risks associated with operating in emerging markets

The Group operates in a number of emerging markets, both directly (e.g., Brazil and Argentina) and through joint

Fiat Group - Risks associated with relationships with employees and suppliers

In many countries where the Group operates, Group employees are protected by various laws and/or collective

Furthermore, the Group purchases raw materials and components from a large number of suppliers and relies on

Fiat Group - Risk associated with increase in costs, disruption of supply or shortage of raw materials

Fiat uses a variety of raw materials in its business including steel, aluminum, lead, resin and copper, and precious

Any interruption in the supply or any increase in the cost of raw materials, parts and components could negatively

Fiat Group - Risks associated with environmental and other government regulation

The Group's products and activities are subject to numerous environmental laws and regulations (local, national

In addition, government initiatives to stimulate consumer demand for products sold by the Group, such as changes

Fiat Group - Risks associated with management

The Group's success is largely dependent on the ability of its senior executives and other members of management

Fiat Group - Risks associated with financing requirements

The Group's future performance will depend on, among other things, its ability to finance debt repayment obligations

Fiat Group - Risks associated with Fiat indebtedness as a result of the acquisition of Chrysler's control

Even after the acquisition of control by Fiat, Chrysler continues to manage financial matters, including funding and

In any case, certain bonds issued by Fiat include provisions that may be affected by circumstances related to Chrysler

Fiat Group - Risks associated with Fiat's credit rating

The ability to access the capital markets or other forms of financing and the related costs are dependent, among other

Chrysler has been assigned a corporate credit rating of B2 (with a positive outlook) by Moody's Investor Services

## Fiat Group - Risks associated with restrictions arising out from Chrysler's debt instruments

In connection with the refinancing transactions finalized at the end of May 2011, Chrysler entered into a credit agreement governing the senior secured credit facility and the indenture governing the secured senior debt. The credit agreement governing the senior secured credit facility and the indenture governing the secured senior debt contain restrictive covenants that, among other things, prohibit Chrysler from:

- incur or guarantee additional secured indebtedness;
- pay dividends or make distributions or purchase or redeem capital stock;
- make certain other restricted payments;
- incur liens;
- sell assets;
- enter into sale and lease-back transactions;
- enter into transactions with affiliates (as defined in the relevant contractual documents), including Fiat;
- effect a consolidation, amalgamation or certain merger or change of control (except for the acquisition of another company).

These restrictive covenants could have an adverse effect on Chrysler's business by limiting its ability to take actions that may be necessary for its business. Furthermore, the indenture governing the VEBA Trust Note limits the ability of Chrysler's subsidiaries to incur debt. If Chrysler is unable to comply with all of these covenants, it may be in default, which could result in the acceleration of the debt. In addition, compliance with certain of these covenants could restrict Chrysler's ability to take certain actions that may be necessary for its business. Should Chrysler be unable to undertake strategic initiatives due to the covenants provided for by the above instruments, this could have an adverse effect on Chrysler's business.

## Fiat Group - Risks associated with fluctuations in currency, interest and credit risk

The Group, which operates in numerous markets worldwide, is naturally exposed to market risks stemming from fluctuations in currency exchange rates, interest rates and credit risk. The Group uses various forms of financing to cover funding requirements for its industrial activities and for financial services. Consistent with its risk management policies, the Group seeks to manage risks associated with fluctuations in currency exchange rates, interest rates and credit risk. The Group's Financial Services activities are also subject to the risk of insolvency of dealers and end customers. Risks associated with the availability of adequate financing for Chrysler's dealers and retail customers. In the United States and Canada, Chrysler's dealers enter into wholesale financing arrangements to purchase vehicles. Chrysler's lack of a captive finance company may increase the risk that dealers and retail customers will not have access to financing. In connection with the 2009 restructuring of the U.S. automotive industry, and with the assistance of the U.S. Treasury, Chrysler entered into a financing agreement with Ally. Pursuant to this agreement, Ally is neither obligated to provide financing to dealers, nor is Ally required to fund Chrysler's financing needs. Chrysler expects Ally to provide services comparable to those Ally provides to its other strategic business partners. To the extent that Ally is unable or unwilling to provide sufficient financing at competitive rates to Chrysler's dealers, this could have an adverse effect on Chrysler's business.

## Fiat Group - Risks associated with Chrysler's pension plans

Chrysler's defined benefit pension plans are currently underfunded and its pension funding obligations may increase in the future. Chrysler's defined benefit pension plans currently hold significant investments in equity and fixed income securities. To determine the appropriate level of funding and contributions to Chrysler's defined benefit pension plans, as well as the value of the assets held by Chrysler's defined benefit plans, an actuarial valuation is performed. If the total values of the assets held by Chrysler's defined benefit plans fall and/or the returns on these assets are insufficient to meet the pension obligations, Chrysler may be required to make additional contributions. If Fiat's ownership in Chrysler were to exceed 80%, Fiat may become subject to certain US legal requirements regarding pension plans.

## C&W Group

The following is a summary of the risks and uncertainties that could potentially have a significant impact on the C&W Group's financial performance:

### C&W ? Risk associated with general economic conditions

Periods of economic weakness or recession, significantly rising interest rates, declining employment levels, declining consumer confidence and other factors could have an adverse effect on the C&W Group's business.

### C&W ? Risks associated with adverse developments in the credit markets

Our Capital Markets service line is sensitive to credit cost and availability as well as marketplace liquidity. Disruptions in the credit markets could have an adverse effect on the C&W Group's business.

### C&W ? Risks associated with our ?Credit Facility?

Our credit agreement imposes operating and other restrictions on C&W and many of its subsidiaries. These restrictions could have an adverse effect on the C&W Group's business.

### C&W ? Risks associated with the seasonality of our business

A significant portion of our revenue is seasonal, which can affect our ability to compare our financial condition and performance to other companies in the industry.

### C&W ? Risks associated with the impairment of our goodwill and other intangible assets

A significant and sustained decline in our future cash flows, a significant adverse change in the economic environment or other factors could result in the impairment of our goodwill and other intangible assets.

### C&W ? Risks associated with non-U.S. dollar currency fluctuations

Our revenue from non-U.S. operations is denominated primarily in the local currency where the associated revenue is generated. Fluctuations in currency exchange rates could have an adverse effect on the C&W Group's business.

### C&W ? Risks associated with litigation and damage to our professional reputation as a result of litigation allegations

C&W and its licensed employees are subject to regulatory and other obligations. Failure to fulfill these obligations could result in litigation and damage to our professional reputation.

### C&W ? Risks associated with significant competitors and potential future competitors, some of which may have a competitive advantage

C&W competes across a variety of business disciplines within the commercial real estate services industry. Although we have a competitive advantage in certain areas, we may face new competitors or existing competitors may improve their competitive position.

### C&W ? Risks associated with operations in many jurisdictions with complex and varied tax regimes

C&W operates in countries with complex and varied tax regimes. Changes in tax laws or interpretations could have an adverse effect on the C&W Group's business.

### C&W ? Risks associated with the failure to maintain and protect our intellectual property or the infringement of third parties' intellectual property

Our business depends, in part, on our ability to identify and protect proprietary information and other intellectual property. Failure to do so could have an adverse effect on the C&W Group's business.

## Juventus Football Club

### Juventus Football Club - Risks associated with general economic conditions (industry risk)

In the short term, Juventus' earnings and financial position are not influenced significantly by overall economic conditions.

### Juventus Football Club - Risks associated with activities (strategies and operational process risk)

Players' registration rights represent Juventus Football Club's factor of production. Sports activities are subject to various risks, including injuries, suspensions and other factors.

At the same time, given that the business also focuses on the commercial exploitation of the brand, trademark and other intangible assets, there are risks connected with supporter behavior which may result in fines, sanctions or other punishments.

### Juventus Football Club - Risks associated with the Transfer Campaign (strategic process risk)

Juventus Football Club's earnings and financial position are significantly affected by the acquisitions and disposals of players.

### Juventus Football Club - Risks associated with failure to qualify for sports tournaments (strategic process risk)

Juventus Football Club's earnings are significantly affected, both directly and indirectly, by the results achieved in sports tournaments.

### Juventus Football Club - Risks associated with the dependence on radio and television rights (strategic process risk)

Juventus Football Club's revenues are closely tied to proceeds from the sale of radio and television rights, the

### Juventus Football Club - Risks associated with the sponsorship market (industry risk)

The current economic situation has had repercussions for sports sponsorships, as sponsors today prefer to show Juventus Football Club - Risks associated with the new Stadium investment (strategic and operational process)

Starting with the 2011/2012 season, Juventus became the first Serie A team to own its own stadium. This means Juventus Football Club - Risks associated with funding requirements (industry risk)

Numerous factors affect Juventus' financial position. These include the fulfillment of sports and business objectives. Based on the Development Plan for the years 2011/2012 ? 2015/2016 approved by the board of directors' meeting. In accordance with its risk management policy, Juventus has credit facilities in place with a number of premier banks. Juventus Football Club - Risks associated with fluctuations in interest rates and exchange rates (financial process)

Juventus uses various forms of funding to assure the cash flows needed for its business. These include credit lines. Juventus conducts almost all its purchase and sale transactions in Euro. As a result, it is not exposed in any significant way. Juventus Football Club - Risks associated with the outcome of pending litigation (compliance risk)

With the assistance of its legal advisors, Juventus constantly manages and monitors all pending litigation and, on the basis of pending litigation, future negative effects, both significant and insignificant, on Juventus' earnings.

#### ALPITOUR GROUP

##### Alpitour Group - General risks

The trend in demand for tourist packages is always acutely influenced by outside factors such as political risks. The international political situation, especially in situations of war and terrorist threats, could generate a contraction. Another risk factor is caused by the ravages of weather such as tsunamis, hurricanes, earthquakes, volcanic eruptions. A negative international economic environment could significantly affect the propensity of clients to purchase tourist packages. Alpitour Group - Risks typical of the tourism sector

The Alpitour Group (with the exception of incoming activities) operates mostly with Italian clientele in that the preferences. The style and habits of the Italian clientele mean that the earnings of the tourism sector are highly seasonal and concentrated. The typical activities of the Alpitour Group use services provided by third parties, mainly suppliers of air and hotel services. The Alpitour Group, because of its vertical integration, its presence in all the links of the tourism chain, the diversification.

##### Alpitour Group - Risks relating to information technology processes

The tourism sector is firmly anchored to information technology processes which cover the entire business cycle. By continually updating and maintaining its systems and designing specific disaster recovery plans, as well as having

##### Alpitour Group - Financial risks

Alpitour Group is exposed to financial risks such as credit risk, liquidity risk, exchange rate risk, interest rate risk. The exposure to credit risk is an innate risk of the Group's activities and is mainly represented by the amount of receivables. The Alpitour Group is subject to liquidity risk which may arise as a result of difficulties in obtaining loans to support its activities. The Alpitour Group is exposed to market risk from exchange rate fluctuations, especially the U.S. dollar, since it has. The Alpitour Group regularly assesses its exposure to the various types of risk and manages such risks through hedging. Exposure to exchange rate risk on commercial transactions in foreign currency is hedged mainly by forward, foreign exchange contracts. Finally, exposure to the risk of fluctuations in fuel prices is hedged by commodity swaps. The counterparties of such contracts are leading Italian and international financial institutions with high ratings. As regards the exchange rate risk and the price fluctuation risk of oil, according to the sales contract conditions

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