

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2010 was strongly affected by the economic crisis that began at the end of 2008 and continued throughout 2009. In Europe, in particular, fears about the sustainability of sovereign debt in some countries impacted the financial markets and slowed the recovery, although there were some significant exceptions, such as Germany and the Nordic countries. The future prospects of the economy are still unclear despite the first signs of recovery.

In spite of this difficult environment, our group achieved overall positive results. Consolidated revenues and margins grew significantly compared to 2009 thanks to the improvement of the operating results of our main subsidiaries. Although net earnings were lower in absolute terms than in 2009, which included non-recurring items and capital gains, they benefited from a higher contribution from the operating companies. This confirms the validity of our strategy, adopted two years ago at the first signs of the recession, of focusing the attention, the efforts and the resources of the group on our four main business sectors, energy, media, automotive components and healthcare. In these businesses, and in the media and automotive sector in particular, we acted promptly putting in place action plans aimed at achieving maximum efficiency without however sacrificing investment, the quality of products and services and the growth potential of the businesses. In 2010 we reaped the first benefits of this action.

In the energy sector, despite an environment characterized by the erosion of margins in the wholesale gas and electricity markets, Sorigenia achieved growth in both revenues and profitability, thanks above all to the acceleration of business in the second half of the year. The company benefited from higher sales of electricity to end-user clients, the action taken to defend margins and from the first time contribution of some of the recent investments. Moreover, during 2010 Sorigenia was working on the preparation of its new Business Plan 2011-2016, the main points of which are: entry into the residential market with a target of a total of 2 million clients by the end of the period, new investments of 1.2 billion euro, gradual growth in revenues and margins and a significant reduction in debt. The aim of the plan is to launch a new phase of growth for Sorigenia, based on business development and financial solidity.

In the publishing business, l'Espresso successfully carried out the cost-cutting plan it launched two years ago. The object was to obtain by 2011 savings of 140 million euro, equal to 17% of the costs incurred in 2008 and this target has already been reached and will probably be exceeded when all the actions put in place will be fully up and running. The efficiency enhancing measures enabled the company to achieve a significant increase in operating margin and net income, although revenues remained stable because the market is still difficult both for circulation and for advertising. The company is also working on the development of its main activities with important initiatives especially on the digital front.

In the automotive business Sogefi experienced a year of remarkable recovery after posting in 2009 its first loss in its thirty years of history. Thanks to cost-cutting actions and to a recovery in vehicle production in all its main markets, Sogefi reported significant increases in its results in its two divisions. The company is successfully pursuing its strategy of gradually reducing its manufacturing footprint in Europe and expanding in countries with higher growth potential and with lower labour costs.

2010 was also a very important year for KOS, our group company active in the healthcare sector. As well as consolidating its position of leadership in the sector in terms of market presence, quality of service and patient focus, KOS reached its objective of raising new funds to support its development. This happened in December, through an agreement with AXA Private Equity, one of the largest private equity groups in the world, which acquired a minority interest in the company, alongside CIR, which promoted and supported the deal, keeping its investment in KOS unchanged.

At the holding company level we have worked hard to preserve and further strengthen our financial solidity, finishing the year with a net financial surplus of over 120 million euro. Investments in financial assets, after the significant reduction that took place in 2009, remained constant and we do not expect to increase them in the future.

We are continuing to look with interest at possible new initiatives, but our attention remains focused on our main industrial businesses.

In view of the objectives reached in 2010 by the group and its main subsidiaries, we decided to return to a dividend payout in order to share these results with you, our Shareholders. It seemed the best option after you had actively paid for the efficiency enhancing and equity strengthening plans by giving up your dividend in 2008 and in 2009.

In 2011 we will continue to follow a development strategy underpinned by three guiding principles: focus on the four main business sectors of the group, financial discipline and continuous focus on efficiency without sacrificing investment, and the exploitation of the growth potential of our businesses. We are convinced that this is the best formula to counter the current economic cycle and guarantee you and all the stakeholders of the group a lasting creation of value over time.

*Signed by
The Chief Executive Officer
Rodolfo De Benedetti*