



ANNUAL REPORT



2019

COMPAGNIE INDUSTRIALI RIUNITE

Translation from the Italian original which remains the definitive version



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*This annual report at 31 December 2019 has been prepared pursuant to art. 154 ter of Italian Legislative Decree 58/1998 and in accordance with applicable international financial reporting standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of European Parliament and the Council of 19 July 2002, as well as all the measures issued in implementation of art. 9 of Italian Legislative Decree 38/2005*



COMPAGNIE INDUSTRIALI RIUNITE

Company limited by shares – Share capital € 397,146,183.50

Registered office: Via Ciovassino 1, 20121 Milan – [www.cirgroup.it](http://www.cirgroup.it)

Chamber of Commerce no. 1950112 – Milan Company Register / Tax Code / VAT no. 00519120018

The Company is subject to management and coordination by COFIDE - Gruppo De Benedetti S.p.A.

Registered office in Rome: Via del Tritone, 169 – 00187 Rome

## CORPORATE BODIES <sup>(4)</sup>

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### BOARD OF DIRECTORS

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Honorary Chairman	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI (*)
Chief Executive Officer and General Manager	MONICA MONDARDINI (*)
Directors	PHILIPPE BERTHERAT (1) MARISTELLA BOTTICINI (2) EDOARDO DE BENEDETTI FRANCO DEBENEDETTI MARCO DE BENEDETTI SILVIA GIANNINI (2) FRANCESCA PASINELLI (2) CLAUDIO RECCHI (1) (2) GUIDO TABELLINI (1) (3)
Secretary to the Board	MASSIMO SEGRE

### BOARD OF STATUTORY AUDITORS

Chairman	PIETRO MANZONETTO
Standing Statutory Auditors	ANNA MARIA ALLIEVI RICCARDO ZINGALES
Alternate Statutory Auditors	LUIGI MACCHIORLATTI VIGNAT LUCA VALDAMERI PAOLA ZAMBON

### INDEPENDENT AUDITORS

KPMG S.p.A.

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Report pursuant to the recommendation in Consob communication DAC/RM/97001574 of 20 February 1997

(\*) Powers as per Corporate Governance

(1) Member of the Appointments and Compensation Committee

(2) Member of the Control and Risk Committee

(3) Lead Independent Director

(4) In office at December 31 2019



## LETTER TO SHAREHOLDERS

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*Dear shareholders,*

*As we address to you this annual letter to give you an account of the Group's evolution during 2019, we are faced with a challenge that was inconceivable in terms of its nature and impacts on the life of each of us and our businesses, the Covid-19 pandemic.*

*Nonetheless, it is our duty to comment on what the Group did in 2019 and we will take this opportunity also to inform you also of the current situation of our companies.*

*In 2019 we carried out three important operations that redesigned the structure and perimeter of the Group, which were well received by the market.*

*We initiated the merger between CIR and COFIDE, which made it possible to shorten and simplify the chain of control with respect to the subsidiaries, reduce the operating costs linked to the maintenance of two listed holding companies and make the company's share more liquid thanks to a higher free float.*

*We also concluded an agreement with EXOR N.V. for the sale of CIR's investment in GEDI Gruppo Editoriale. The sale of GEDI, the leading publishing company which CIR controlled for over thirty years, is part of CIR's strategy, aimed at focusing managerial commitment and financial resources on sectors in which it is already present with more potential to create value.*

*Lastly, a first step was taken to expand the core business of the subsidiary KOS abroad, through the acquisition of the German company Charleston which operates in the long-term care sector. For KOS, Charleston represents a 30% increase in size and the start of a process of international growth on top of the intense activity of consolidation in Italy.*

*As for the Group's results in 2019, pro-forma consolidated revenue amounted to € 2.1 billion, in line with 2018, the gross operating profit amounted to € 290.3 million, down 7.4% on a like-for-like basis in terms of accounting policies, with a net result before the effects of GEDI on our financial statements was positive for € 14.3 million, in line with 2018 excluding non-recurring elements and changes in accounting standards; including GEDI, the Group recorded a loss of € 122.4 million, because of GEDI's result during the year and the adjustment of its book value to the price agreed for its sale.*

*The capital structure of our holding company is solid, with a positive net financial position of € 295.7 million at the end of 2019.*

*As regards the performance of our subsidiaries, KOS, a company conceived and developed by CIR, posted revenue up by 9.2%. The company continued its development plan thanks to organic growth*

*and new acquisitions, consolidating its leadership in social-health care in Italy and expanding its long-term care activities in Germany.*

*Sogefi posted revenue that held up well compared with 2018 as it is only down 3.3% in a market that saw world automotive production contract by 5.8%. Overall profitability for the year decreased compared with 2018, coming in below expectations. Nevertheless, the trend reversed in the second half of the year, recording an improvement compared with the figures of the first half and those of the equivalent period of 2018, thanks to the contribution made by the general managers of the Suspensions and Filtration divisions, who were appointed in 2018. We are confident that together with the Group's new CEO, management will cope with the challenges facing our sector with courage and determination.*

*CIR's Board of Directors has proposed the Shareholders' Meeting to distribute a dividend, the per share value of which is in line with the 2018 remuneration of CIR's shareholders. We would like to emphasize that the operating subsidiaries will not distribute dividends, keeping all their resources at the service of this exceptional period that they are having to go through.*

*Turning to current events, the health emergency caused by Covid-19 has turned our lives upside down and our company is suffering the consequences. Italy was hit by this rapid contagion earlier and to a greater extent than other European countries. We were the first in our continent to have to understand how to defend ourselves from this unknown virus, how to organize ourselves to contain it and reduce it, all with a view to the imminent gradual restart of community life and of all production activities.*

*In just over two months, the global and national scenario has changed radically, with profound social and economic consequences. We all had to adapt to the epidemic and face a new hierarchy of needs and hopes never experienced before. We had to stop, distance ourselves, change our habits and change the way we work.*

*In Italy, as in all other countries affected by the pandemic, people's health has become the priority and the lock-down measures envisaged by the government have proved indispensable.*

*Since the beginning of the contagion, we have done everything possible so that our companies were able to protect both their workers and their business continuity, taking all the necessary steps to safeguard resources and limit impacts in a timely manner.*

*Of course, the problems and challenges posed by the pandemic vary according to the types of business that our subsidiaries are in.*

*The KOS group in Italy and Germany takes care of more than 11,000 patients thanks to the work of over 11,000 doctors, nurses, social and health workers, technicians and 2,000 consultants.*

*The business in which KOS operates is one of the most exposed to the risks associated with the pandemic and the common experience of public and private healthcare facilities in Italy and abroad has unfortunately shown how difficult it is to stop the infection spreading in care homes at a time when the healthcare system is under extreme stress. The facilities run by KOS are also facing a severe test. Every day, the staff on duty faces new emergencies and the facility managers are constantly having to find new resources as quickly as possible when doctors or nurses test positive and have to quarantine themselves.*



*In order to monitor staff and patients and to limit the spread of the virus in the structures as much as possible, KOS has equipped itself with rapid virus diagnosis tools. Agreements have been signed with several private laboratories authorised to perform swabs and 16,000 rapid antibody tests have been purchased, which can be used in the facilities by the same healthcare personnel. In addition, the instrumentation and reagents for the direct performance of 16,000 biomolecular tests on oropharyngeal swabs have been acquired, in the rapid version approved by the Ministry on 3 April, for which the company is awaiting regional authorisation.*

*In the regions of Lombardy, Marche and Campania, KOS is working with the Regional Health Services to treat about 300 infected patients, partly in its two hospitals and partly in facilities converted to Covid-19 care based on territorial needs.*

*We want to express our deep gratitude to the doctors, nurses, health workers and all the staff, because with their commitment in such a difficult moment they have shown extraordinary passion and altruism.*

*As regards Sogefi, in March, the Group ordered the suspension of production activities in most of its factories, starting in Italy, France and Spain. The decision took into account, first of all, the necessary protection of the health and safety of employees. It is in line with the government provisions in countries where our production sites are located, and with the decisions taken by car manufacturers.*

*We are close to everyone working for the Group and, together with management, we are currently thinking hard about the future of the company, looking forward to when business can return to normal.*

*The pandemic in Italy is slowing down, as it is in other countries, but it will take a long time to resolve the serious health, social and economic problems that it has spawned. We have more difficult months ahead of us, but we will continue to do everything in our power to ensure that our companies take every step necessary to protect the health of our employees and ensure the means for continuity and recovery.*

*Rodolfo De Benedetti*  
Chairman

*Monica Mondardini*  
Chief Executive Officer



## REPORT ON OPERATIONS

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Shareholders,

During 2019, important operations were carried out, which redesigned the structure and perimeter of the group.

The merger between CIR S.p.A. and its parent company COFIDE S.p.A. was launched and then approved by the respective Boards of Directors on 11 March 2019, and became effective on 19 February 2020, an agreement with EXOR N.V. was signed for the sale of CIR's investment in GEDI S.p.A., and the first step was taken to expand the core business of KOS abroad by acquiring Charleston, a German company.

The merger has made it possible to shorten and simplify the control chain, to reduce unproductive costs and to make the company's share more liquid, thanks to a larger public float. The market reacted positively.

The sale of GEDI, a group that CIR had controlled for more than thirty years, is part of CIR's strategy of focusing management's time and the company's resources on its core sectors, with greater potential for creating value. The transfer of control to EXOR means that GEDI, which operates in a highly challenging market, will be able to count on a strong shareholder, with experience in the sector and with a long-term plan. The agreement offers a price per share with a premium of around 70% on the market value of the company's share and the market reacted positively to the deal for CIR. However, CIR still recorded a significant loss as the transfer price was lower than the carrying amount of the investment.

Lastly, the acquisition of Charleston, a company that operates in the residential care home sector with 47 facilities for a total of 4,050 beds and forecast revenue of € 175 million in 2020, represents a 30% increase in size for KOS and the start of an international growth path, in addition to intense consolidation in Italy.

### 1. Key figures

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As already mentioned in the interim financial statements, the 2019 financial statements have been drawn up in accordance with IFRS 16 - Leases, which, as is known, led to changes in all of the main economic indicators, gross operating profit in particular, and recognition of the present value of future rental payments as a liability<sup>1</sup>.

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<sup>1</sup> IFRS 16 is being applied from 1 January 2019; put briefly, this means that all leases must be recognised in the statement of financial position as a right-of-use assets or lease liabilities, calculating their amount by discounting the future lease payments for the entire lease term. In addition to being reflected in the statement of financial position, application of this standard has an impact on the income statement as lease payments previously recognised as operating costs are now recognised partly as depreciation and partly as finance expense. The annual report at 31 December 2019 has been prepared by applying IFRS 16 and the effects, if significant, are disclosed in this report.

Furthermore, following the transaction announced on 2 December 2019<sup>2</sup>, the investment in GEDI has been classified as "Assets held for sale" in accordance with IFRS 5<sup>3</sup>.

CIR's 2019 consolidated results were affected by the loss recorded on the sale of GEDI which, net of non-controlling interests, was € 136.7 million. This amount is made up of CIR's share of GEDI's net result for 2019, severely affected by write-downs of on goodwill and titles, and adjustment of the carrying amount to the agreed selling price.

The income statement figures shown below, taken from the 2019 consolidated financial statements, in application of IFRS 5 do not include GEDI, except for the effect of the deconsolidation on the net result and equity.

The group made **consolidated revenue** of € 2,114.4 million, substantially stable compared with 2018, with KOS up 9.2% and Sogefi down 3.3%.

**Consolidated gross operating profit** amounted to € 292.6 million (13.8% of revenue); before application of IFRS 16, 2019 gross operating profit would have been € 240.9 million, down 7.0% compared with 2018 (€ 259.0 million), due to the unfavourable trend in the automotive market, where Sogefi operates, and the significant non-recurring costs incurred for extraordinary transactions, namely the acquisition of the Charleston group by KOS and the CIR/COFIDE merger.

The **consolidated operating profit** came to € 87.8 million (4.1% of revenues), compared with € 111.0 million in 2018, the decrease being due to the factors mentioned above.

Continuing operations made a **profit** of € 15.0 million; including GEDI, the group made a loss of € 121.7 million.

**KOS**, with revenue of € 595.2 million, up 9.2% on 2018, posted a 9.5% increase in revenue from the long term care business (including the contribution of the Charleston group for the last two months of the year) and an 11.7% increase in diagnostics and cancer cure. Its operating profit came to € 63.3 million; excluding the costs of the Charleston transaction and the impact of IFRS 16, operating profit in 2019 would have been € 66.5 million, in line with the € 66.3 million in 2018. Profit for the year was € 30.3 million and, again excluding non-recurring charges and with the same accounting standards, it would have risen to € 36.5 million compared with € 35.2 million in 2018. 2019 confirmed the solidity of the business, which is growing systematically, as well as the fact that there are significant development opportunities, both in Italy and abroad, which KOS has proved itself able to exploit.

As for the latest acquisition, it should be noted that Charleston is a German group that provides residential services for the elderly who are not self-sufficient and ancillary services for elderly and highly disabled patients. As mentioned earlier, the group manages 47 residences with a total of 4,050 beds. The results of this investment have been consolidated for only two months, starting on 1 November 2019.

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<sup>2</sup> On 2 December 2019, CIR S.p.A. and EXOR N.V. signed a sale agreement for CIR's 43.78% investment in GEDI, for an amount equal to € 102.4 million, subject to the necessary authorisations being issued by the antitrust authorities. Following this transaction, EXOR N.V. will launch a takeover bid for the rest of the shares. CIR intends to reinvest in the new company, at a value corresponding to the bid price, taking a 5% investment in GEDI in total transparency.

<sup>3</sup> This standard involves (i) the elimination of the investee's financial position from the consolidation schedule, (ii) the recognition of all of GEDI's assets and liabilities at fair value in "Assets held for sale" and (iii) recognition in the income statement of its share of the profit or loss for the period and adjustment of the carrying amount of the investment to the sale price, net of transaction costs, in "Profit/(loss) of assets held for sale".

**Sogefi** recognised revenue of € 1,519.2 million, down 3.3% on 2018, which compares with a drop in world-wide automotive production of -5.8%, which means that the group's volumes held up reasonably well. Operating profit was € 39.6 million, compared with € 60.1 million of the previous year (adjusted for non-recurring results, operating profit was € 43 million, compared with € 53.5 million in 2018). Operating profit showed good growth in Europe, thanks to the action taken during the year, but it was negatively affected by the unfavourable performance of the Chinese and South American markets, as well as the start-up costs of the plant for the production of filters in Morocco and the one for the production of suspension components in Romania. Profit for the year came to € 3.2 million, compared with € 14.0 million in 2018. Note that, based on the same accounting standards, profitability in the second half of 2019 saw an improvement compared with the first half, also coming in higher than in the same period of 2018.

The portfolio of **financial investments of the parent CIR** and non-industrial subsidiaries reported a return of 3.9%, slightly higher than the market benchmark for all asset categories.

At 31 December 2019, **consolidated net financial indebtedness**, before IFRS 16, amounted to € 304.0 million, an increase of € 110.1 million compared with € 193.9 million at 31 December 2018. With a consolidated free cash flow of some € 65 million, KOS has made acquisitions and greenfield investments for € 116.5 million, Sogefi made investments in new plants for € 10.5 million, dividends were distributed for a total of € 45.1 million and treasury shares were purchased for € 3.2 million.

The **net financial position of the parent** and its non-industrial subsidiaries at 31 December 2019 was positive for € 319.8 million, more or less in line with the figure at 31 December 2018 (€ 325.5 million).

Lease liabilities under IFRS 16 at 31 December 2019 amounted to € 800.1 million, so total consolidated net financial indebtedness came to € 1,104.1 million. The liabilities under IFRS 16 mainly concern the subsidiary KOS (€ 737.3 million), which operates predominantly in leased facilities (Charleston operates exclusively on a lease basis).

**Equity attributable to the owners of the parent** at 31 December 2019 was € 781.6 million compared with € 936.2 million at 31 December 2018 and the decrease is due to the loss recorded on GEDI (- € 136.7 million), the distribution of dividends and the purchase of treasury shares for a total of € 48.3 million.

*The tables on the following pages provide a breakdown by business segment of the group's results and financial position, a breakdown of the contribution made by the main subsidiaries and the combined results of CIR, the parent, and the other non-industrial subsidiaries.*

# INCOME STATEMENT BY BUSINESS SEGMENT AND CONTRIBUTIONS TO THE RESULTS OF THE GROUP

(in millions of euro)

	2019												2018 (*)
	Revenue	Costs of production	Other operating income & expense	Amortisation/ depreciation and impairment	Operating profit	Net financial income and expense	Dividends, net of realised and unrealised gains and losses on	Fair value gains on equity-accounted investees	Income taxes	Profit (loss) from discontinued operations	Non-controlling interests	Profit for the period	Profit for the period
CONSOLIDATED	(1)	(2)	(3)	(4)									
KOS group - Healthcare	595.2	(437.5)	(20.8)	(69.2)	67.7	(22.5)	0.1	--	(13.9)	--	(13.4)	18.0	20.9
Sogefi group - Automotive components	1,519.2	(1,319.9)	(25.1)	(134.6)	39.6	(23.8)	--	--	(13.7)	4.0	(4.3)	1.8	8.0
GEDi group - Media	--	--	--	--	--	--	--	--	--	(129.0)	70.4	(58.6)	(14.7)
<b>Total for main subsidiaries</b>	<b>2,114.4</b>	<b>(1,757.4)</b>	<b>(45.9)</b>	<b>(203.8)</b>	<b>107.3</b>	<b>(46.3)</b>	<b>0.1</b>	<b>--</b>	<b>(27.6)</b>	<b>(125.0)</b>	<b>52.7</b>	<b>(38.8)</b>	<b>14.2</b>
Other subsidiaries	--	(0.1)	(0.2)	--	(0.3)	--	--	--	--	--	--	(0.3)	(0.1)
<b>Total industrial subsidiaries</b>	<b>2,114.4</b>	<b>(1,757.5)</b>	<b>(46.1)</b>	<b>(203.8)</b>	<b>107.0</b>	<b>(46.3)</b>	<b>0.1</b>	<b>--</b>	<b>(27.6)</b>	<b>(125.0)</b>	<b>52.7</b>	<b>(39.1)</b>	<b>14.1</b>
<b>CIR and other non-industrial subsidiaries</b>													
Revenue	--											--	--
Operating costs		(15.4)										(15.4)	(13.5)
Other operating income & expense			(2.8)									(2.8)	(1.0)
Amortisation/depreciation and impairment losses				(1.0)								(1.0)	(0.8)
Operating profit (loss)					(19.2)								
Financial income and expense						1.8						1.8	4.0
Dividends and net gains (losses) from securities trading							8.4					8.4	5.9
Fair value gains on equity-accounted investments								--				--	--
Income taxes									4.5			4.5	4.2
Profit (loss) from discontinued operations										--		--	--
<b>Total CIR and other non-industrial subsidiaries before non-recurring items</b>	<b>--</b>	<b>(15.4)</b>	<b>(2.8)</b>	<b>(1.0)</b>	<b>(19.2)</b>	<b>1.8</b>	<b>8.4</b>	<b>--</b>	<b>4.5</b>	<b>--</b>	<b>--</b>	<b>(4.5)</b>	<b>(1.2)</b>
<b>Non-recurring items</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(169.7)</b>	<b>91.6</b>	<b>(78.1)</b>	<b>--</b>
<b>Consolidated total for the group</b>	<b>2,114.4</b>	<b>(1,772.9)</b>	<b>(48.9)</b>	<b>(204.8)</b>	<b>87.8</b>	<b>(44.5)</b>	<b>8.5</b>	<b>--</b>	<b>(23.1)</b>	<b>(294.7)</b>	<b>144.3</b>	<b>(121.7)</b>	<b>12.9</b>

The group applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retrospective approach.

The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

(\*) Certain 2018 figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations"

1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel costs" in the consolidated income statement.

2) This item does not take into consideration the € (1.2) million effect of intercompany eliminations. This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not take into consideration the € 1.2 million effect of intercompany eliminations.

3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.

4) This item is the sum of "dividends", "gains from securities trading", "losses from securities trading" and "fair value losses/gains on financial assets" in the consolidated income statement.

# STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

(in millions of euro)		31.12.2019								31.12.2018
COMBINED	CONSOLIDATED	Non-current assets	Other net non-current assets and liabilities	Assets and liabilities held for sale	Net working capital	Net financial position (indebtedness)	Total equity	Equity attributable to non-controlling interests	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent
		(1)	(2)	(3)	(4)					
	KOS group - Healthcare	1,500.8	(23.7)	--	(79.6)	(1,105.3)	292.2	122.0	170.2	173.5
	Sogefi group - Automotive components	733.3	(102.9)	--	(104.1)	(318.5)	207.8	100.8	107.0	109.5
	GEDI group - Media	--	--	225.9	--	--	225.9	123.5	102.4	239.2
	Other subsidiaries		(0.7)	--	0.7	0.4	0.4	--	0.4	0.8
	<b>Total industrial subsidiaries</b>	<b>2,234.1</b>	<b>(127.3)</b>	<b>225.9</b>	<b>(183.0)</b>	<b>(1,423.4)</b>	<b>726.3</b>	<b>346.3</b>	<b>380.0</b>	<b>523.0</b>
	<b>CIR and other non-industrial subsidiaries</b>									
	Non-current assets	21.5					21.5		21.5	18.5
	Other net non-current assets and liabilities		61.9				61.9		61.9	70.8
	Assets and liabilities held for sale			--			--		--	--
	Net working capital				(1.1)		(1.1)		(1.1)	(1.6)
	Net financial position					319.3	319.3		319.3	325.5
	<b>Consolidated total for the group</b>	<b>2,255.6</b>	<b>(65.4)</b>	<b>225.9</b>	<b>(184.1)</b>	<b>(1,104.1)</b>	<b>1,127.9</b>	<b>346.3</b>	<b>781.6</b>	<b>936.2</b>

The group applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retrospective approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

- 1) This item is the sum of "intangible assets", "property, plant and equipment", "right-of-use assets", "investment property", "equity-accounted investees" and "other equity investments" in the consolidated statement of financial position.
- 2) This item is the sum of "other assets", "other financial assets" and "deferred tax assets" under non-current assets and of "other liabilities", "deferred tax liabilities", "employee benefit obligations" and "provisions for risks and charges" under non-current liabilities in the consolidated statement of financial position.
- 3) This item is the sum of "inventories", "trade receivables", "other assets" in current assets and "trade payables", "other liabilities" and "provisions for risks and charges" in current liabilities in the consolidated statement of financial position.
- 4) This item is the sum of "loan assets", "securities", "other financial assets", and "cash and cash equivalents" under current assets, of "bonds", "other loans and borrowings" and "lease liabilities" under non-current liabilities and of "bank loans and borrowings", "bonds", "other loans and borrowings" and "lease liabilities" under current liabilities in the consolidated statement of financial position.

## 2. Performance of the group

In 2019, consolidated revenue was € 2,114.4 million, in line with the revenue in 2018 (€ 2,115.6 million), thanks to the growth in revenue of KOS, while Sogefi saw a decline of 3.3%. Revenue earned abroad represented 71.1% of the total, reflecting Sogefi's international presence.

(in millions of euro)	2019	%	2018 (*)	%	Change amount	%
Healthcare						
KOS group	595.2	28.1	544.9	25.8	50.3	9.2
Automotive components						
Sogefi group	1,519.2	71.9	1,570.7	74.2	(51.5)	(3.3)
Total consolidated revenue	2,114.4	100.0	2,115.6	100.0	(1.2)	(0.1)
of which: ITALY	610.7	28.9	604.5	28.6	6.2	1.0
OTHER COUNTRIES	1,503.7	71.1	1,511.1	71.4	(7.4)	(0.5)

(\*) The 2018 figures do not include GEDI, as it features under "Assets held for sale" in accordance with IFRS 5.

The consolidated income statement, presented below, shows a profit for the period from continuing operations of € 28.7 million (€ 15.0 million attributable to the CIR group), a loss on the part of GEDI of € 294.7 million, including non-controlling interests, and € 136.7 million net of non-controlling interests, leading to an overall group loss of € 121.7 million.

(in millions of euro)	2019	%	2018 (1)	%
Revenue	2,114.4	100.0	2,115.6	100.0
Gross operating profit (2)	292.6	13.8	259.0	12.2
Operating profit	87.8	4.1	111.0	5.2
Net finance expense (3)	(36.0)	(1.7)	(26.7)	(1.3)
Income tax	(23.1)	(1.1)	(33.1)	(1.5)
Profit from continuing operations	28.7	1.3	51.2	2.4
Loss from discontinued operations	(294.7)	(13.9)	(30.9)	(1.5)
Profit (loss) including non-controlling interests	(266.0)	(12.6)	20.3	0.9
Non-controlling interests	144.3	6.8	(7.4)	(0.3)
Profit (loss) attributable to the owners of the parent	(121.7)	(5.8)	12.9	0.6

(1) The 2018 figures have been reclassified to take into account the application of IFRS 5 to the investment in GEDI.

(2) This is the sum of "Operating profit" and "Amortisation, depreciation & write-downs" in the consolidated income statement.

(3) This is the sum of "finance income", "finance expense", "dividends", "gains from trading securities", "losses from trading securities", "share of profit (loss) of equity-accounted investees" and "fair value gains (losses) on financial assets" in the consolidated income statement.

The consolidated **gross operating profit** amounted to € 292.6 million and € 240.9 million (11.4% of revenue) excluding the effects of IFRS 16, compared with € 259.0 million in 2018 (12.2% of revenue), with a decline of € 18.1 million, due to the lower profit made by Sogefi and the non-recurring charges due to extraordinary transactions, in particular the acquisition of Charleston and the CIR/COFIDE merger.

Consolidated **operating profit** was € 87.8 million, compared with € 111.0 million in 2018; the reduction reflects the trend in gross operating profit.



**Net finance expense** amounted to € 36.0 million; before the application of IFRS 16, this expense amounted to € 23.8 million compared with € 26.7 million in 2018; net finance expense was more or less stable (€ 33 million) and the reduction in overall finance expense depends on the adjustments made to the portfolio of financial and non-controlling investments.

Continuing operations made a **consolidated profit** of € 15.0 million; the loss generated by the assets held for sale was, as anticipated, € 136.7 million, so the consolidated loss for the year was € 121.7 million.

The condensed consolidated statement of financial position of the CIR group at 31 December 2019, with comparative figures at 31 December 2018, is as follows; for ease of comparison, a pro-forma situation at 31 December 2018 is also included, i.e. with the GEDI group already classified under "Assets and liabilities held for sale".

(in millions of euro)	31.12.2019	31.12.2018 (pro-forma)	31.12.2018
Non-current assets	2,255.6	1,336.1	2,102.5
Other net non-current assets and liabilities	(65.4)	(45.4)	(199.2)
Assets and liabilities held for sale	225.9	528.4	4.2
Net working capital	(184.1)	(176.2)	(161.5)
Net invested capital	2,232.0	1,642.8	1,746.0
Net financial indebtedness	(1,104.1)	(193.9)	(297.1)
Total equity	1,127.9	1,448.9	1,448.9
Equity attributable to the owners of the parent	781.6	936.2	936.2
Non-controlling interests	346.3	512.7	512.7

(1) These figures are the result of a different combination of the items in the consolidated financial statements. For definitions, see the notes to the "Statement of financial position by business segment" shown earlier.

Net invested capital at 31 December 2019 came to € 2,232.0 million versus € 1,746.0 million at 31 December 2018 (€ 1,642.8 million excluding GEDI). The change of € 589.2 million was caused by the adoption of IFRS 16, which led to an increase with the recognition of € 866.0 million of "Rights-of-use assets" under non-current assets, and a decrease from the loss made by GEDI.

Consolidated **net financial indebtedness** at 31 December 2019, before the application of IFRS 16, came to € 304.0 million (compared with € 193.9 million at 31 December 2018), divided into:

- cash flow for CIR and its non-industrial subsidiaries of € 319.8 million (€ 325.5 million at 31 December 2018); cash flow generated by operations was positive for € 22.5 million, dividends were distributed for € 25.0 million and treasury shares purchased for € 3.2 million;
- total net indebtedness of the industrial subsidiaries of € 623.8 million (€ 519.4 million at 31 December 2018 excluding GEDI); the increase in net indebtedness is due to the acquisitions and green field investments and the dividends paid by the KOS group (€ 117.7 million and € 35.9 million respectively), while the net indebtedness of Sogefi was substantially stable.

The first time adoption (FTA) of IFRS16 entailed the recognition by the industrial subsidiaries of lease liabilities at 31 December 2019 of € 800.1 million, which when added to the amount mentioned above, led to total net financial indebtedness of € 1,104.1 million.

Equity attributable to the owners of the parent at 31 December 2019 amounted to € 781.6 million compared with € 936.2 million at 31 December 2018, a net reduction of € 154.6 million. The reduction is attributable to the loss recorded on GEDI (- € 136.7 million) and to the distribution of dividends and the purchase of treasury shares for a total of € 48.3 million.

The consolidated statement of cash flows of 2019, prepared according to a "management" format, which shows the changes in net financial position, can be summarised as follows.

<i>(in millions of euro)</i>	<i>2019 (pro-forma)</i>	<i>2018 (pro-forma)</i>	<i>2018</i>
<b>SOURCES OF FUNDS</b>			
Profit from continuing operations	28.7	51.2	20.3
Amortisation, depreciation, write-downs & other non-monetary changes	172.2	167.5	205.5
<b>Self-financing</b>	<b>200.9</b>	<b>218.7</b>	<b>225.8</b>
<b>Change in working capital and other non-current assets and liabilities</b>	<b>(4.2)</b>	<b>(4.5)</b>	<b>11.6</b>
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>196.7</b>	<b>214.2</b>	<b>237.4</b>
Capital increases	0.1	0.9	0.9
<b>TOTAL SOURCES OF FUNDS</b>	<b>196.8</b>	<b>215.1</b>	<b>238.3</b>
<b>USE OF FUNDS</b>			
Net investment in non-current assets	(167.0)	(178.4)	(192.1)
Consideration paid for business combinations	(98.4)	(21.5)	(21.5)
Net financial position of acquired companies	3.3	0.6	0.6
Purchase of treasury shares	(3.2)	(12.6)	(12.6)
Payment of dividends	(45.1)	(37.3)	(37.3)
Other changes	(2.8)	(2.4)	--
<b>TOTAL USE OF FUNDS</b>	<b>(313.2)</b>	<b>(251.6)</b>	<b>(262.9)</b>
<b>CASH FLOWS USED IN CONTINUING OPERATIONS</b>	<b>(116.4)</b>	<b>(36.5)</b>	<b>(24.6)</b>
<b>CASH FLOWS FROM DISCONTINUED OPERATIONS</b>	<b>6.3</b>	<b>--</b>	<b>--</b>
<b>CASH FLOWS USED IN THE YEAR</b>	<b>(110.1)</b>	<b>(36.5)</b>	<b>(24.6)</b>
<b>OPENING NET FINANCIAL INDEBTEDNESS</b>	<b>(193.9)</b>	<b>(157.4)</b>	<b>(272.5)</b>
<b>CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16</b>	<b>(304.0)</b>	<b>(193.9)</b>	<b>(297.1)</b>
<b>FIRST-TIME ADOPTION OF IFRS 16</b>	<b>(800.1)</b>	<b>--</b>	<b>--</b>
<b>CLOSING NET FINANCIAL INDEBTEDNESS AFTER IFRS 16</b>	<b>(1,104.1)</b>	<b>(193.9)</b>	<b>(297.1)</b>

The net financial indebtedness is analysed in the notes to the financial statements.

In 2019, the group recognized a financial deficit of € 110.1 million, the causes of which have already been explained, commenting on the increase in net indebtedness.

At 31 December 2019 the CIR group had 18,648 employees, compared with 14,006 at 31 December 2018. The increase is due to the acquisition of Charleston, which employs 3,981 people.

### 3. Performance of the parent

The parent CIR S.p.A. closed 2019 with a loss of € 161.4 million (due to the write-down of its investment in GEDI for € 172.9 million) compared with a profit of € 14.2 million in 2018.

The condensed income statement of CIR S.p.A. for 2019, compared with that of 2018, is as follows.

(in millions of euro)	2019	2018
Net operating costs (1)	(11.4)	(9.1)
Other operating costs, amortisation and depreciation (2)	(3.9)	(2.5)
Net finance income (3)	23.0	23.4
Profit before taxes	7.6	11.8
Income tax	3.9	2.4
Profit (loss) of assets held for sale	(172.9)	--
Profit (loss) for the year	(161.4)	14.2

- (1) This item is the sum of "sundry revenue and income", "cost for services" and "personnel expense" in the income statement of CIR S.p.A.
- (2) This item is the sum of "other operating expense" and "amortisation, depreciation and impairment losses" in the income statement of CIR S.p.A.
- (3) This item is the sum of "finance income", "finance expense", "dividends", "gains from trading securities", "losses from trading securities" and "fair value gains (losses) on financial assets" in the income statement of CIR S.p.A..

The statement of financial position of CIR S.p.A. at 31 December 2019, compared with the situation at 31 December 2018, is as follows.

(in millions of euro)	31.12.2019	31.12.2018
Non-current assets (1)	500.8	771.7
Other net non-current assets and liabilities (2)	74.5	89.5
Assets held for sale	102.4	--
Net working capital (3)	1.0	0.5)
Net invested capital	678.7	861.7
Net financial position (4)	2.7	7.4
Equity	681.4	869.1

- (1) This item is the sum of "intangible assets", "property, plant and equipment", "investment property", "right-of-use assets", and "equity investments" in the statement of financial position of CIR S.p.A..
- (2) This item is the net of "other assets", "other financial assets" and "deferred tax assets" in non-current assets and "deferred tax liabilities" and "employee benefit obligations" in non-current liabilities of the statement of financial position of CIR S.p.A.
- (3) This item is the net of "other assets" in current assets less "other liabilities" and "provisions for risks and charges" in current liabilities in the statement of financial position of CIR S.p.A.
- (4) This item is the net of "cash and cash equivalents" in current assets and "bank loans and borrowings" in current liabilities of the statement of financial position of CIR S.p.A.

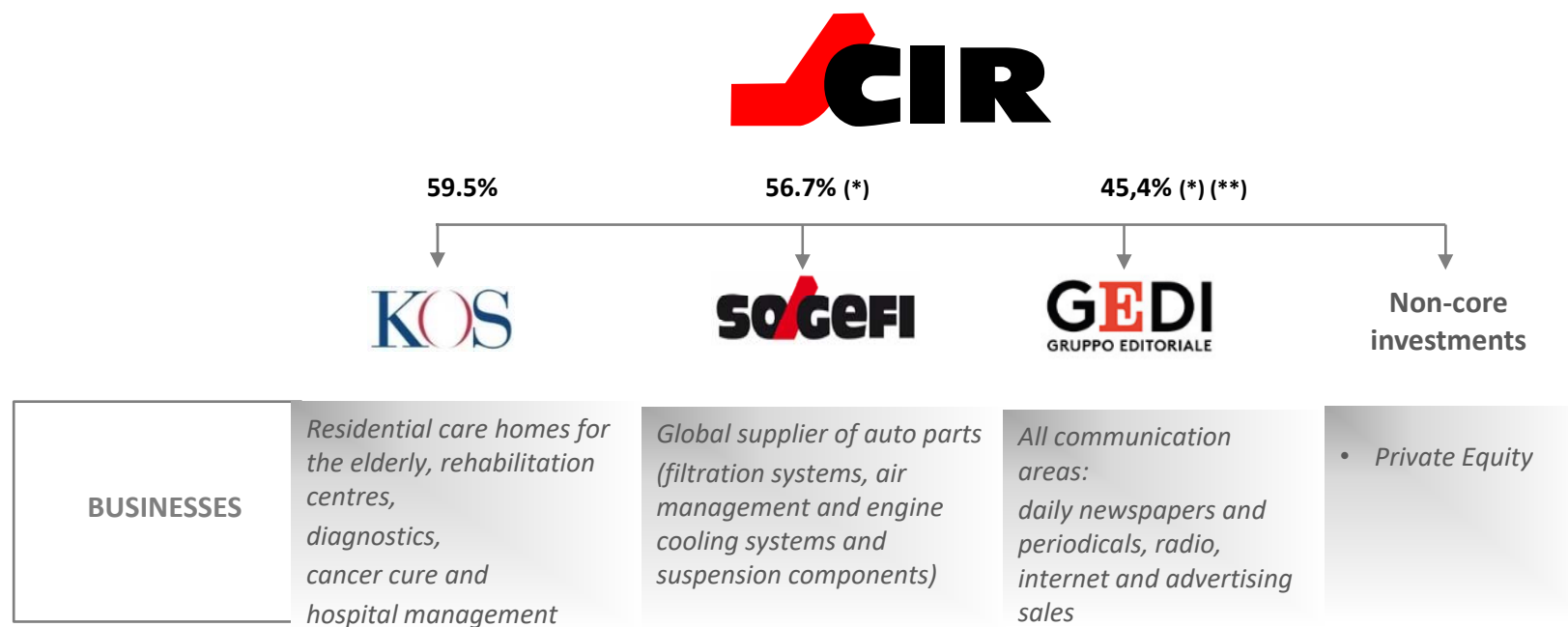
Equity went from € 869.1 million at 31 December 2018 to € 681.4 million at 31 December 2019 due to the write-down of GEDI.

#### 4. Reconciliation of the parent's figures with the consolidated figures

The following is a reconciliation between the profit (loss) for the year and equity attributable to the owners of the parent with the equivalent figures in the parent's financial statements.

(in thousands of euro)	Equity 31.12.2019	Profit (loss) for the period 2019
Separate financial statements of CIR S.p.A. (parent)	681,380	(161,443)
Derecognition of the carrying amount of consolidated equity investments	(584,662)	--
Recognition of equity and profit (loss) for the year from investments in subsidiaries	681,984	(107,929)
Goodwill	2,941	--
Dividends from companies included in the consolidation	--	(23,603)
Derecognition of fair value gains (losses) on consolidated equity investments	--	171,298
Other consolidation adjustments	10	(5)
Consolidated financial statements (share attributable to the owners of the parent)	781,653	(121,682)

## Main equity investments at 31 December 2019



(\*) Percentage calculated net of treasury shares.

(\*\*) Investment classified according to IFRS 5 "Assets held for sale". See note 2, Chapter 1 Key figures contained in this Report on operations

## 5. Performance of the business segments

### ► HEALTHCARE

Over the last few years, public health expenditure has undergone a profound revision, connected to a reorganisation of services, greater efficiency in purchases and better management of hospitalisations and outpatient services. After almost a decade of contraction in public funding, with regions under the Reduction Plan subject to hefty spending cuts that led to reduced services for citizens, the new Health Pact signed at the end of 2019 has shown that the National Health System (NHS) needs fresh resources, also to rebalance differences to ensure compliance with the principle of universal healthcare. This Health Pact provided for an increase in funding to the NHS of € 3.5 billion for the two-year period 2020-2021. Total public funding will therefore amount to € 116.47 billion in 2020 and € 117.97 billion in 2021. On the other hand, the significant growth in private healthcare spending continues, partially replacing public expenditure for certain services (outpatient services mainly) following an increase in prescription charges and longer waiting times at public structures.

The KOS group's business can be broken down as follows (figures at 31/12/2019):

- 1) *Long Term Care*: management of residential care homes for the elderly in Italy, mainly under the Anni Azzurri brand (52 facilities and 5,670 beds available), management of functional and psychiatric rehabilitation facilities, psychiatric treatment communities and day hospitals, mainly under the *Santo Stefano* (rehabilitation) and *Neomesia* (psychiatry) brands (35 facilities and 2,613 beds); Charleston manages residential care homes for the elderly in Germany (45 facilities and 4,050 beds, of which 3,843 are available); for a total of 147 facilities and 12,249 beds;
- 2) *Diagnostics and Cancer Cure*: contract management of high-tech diagnostic and radiotherapy services in both public and private facilities, management of accredited radiological centres and clinics, under the Medipass brand in 16 facilities in Italy, in 3 facilities in the United Kingdom and in 16 facilities in India;
- 3) *Acute*: management under concession of the public hospital in Suzzara, for a total of 123 beds.

In particular, the following were acquired during 2019: **Charleston Holding GmbH**, a German company that provides residential services for the elderly who are not self-sufficient and ancillary services for elderly and highly disabled patients. The company manages 47 residences with a total of 4,050 beds; **Villa Pineta Srl**, private hospital in Modena, with 203 beds, of which 151 accredited with the regional health system of Emilia Romagna, specialised in respiratory, cardiological, neuromotor and orthopaedic rehabilitation; **Casa Serena Srl**, a protected residence based in Carasco (GE) that can accommodate up to 54 guests, both self-sufficient and non-self-sufficient; **SELEMAR Srl**, manages an analysis laboratory in Urbino; **Laboratorio Gamma Srl**, in Grosseto for over forty years and accredited by the National Health Service.

In 2019 KOS increased its consolidated revenue by 9.2% to € 595.2 million; the breakdown by business areas is presented below.

(in millions of euro)	2019		2018		Change
	Amount	%	Amount	%	
Long Term Care	480.5	80.7	438.9	80.6	9.5
Diagnostics and Cancer Cure	78.1	13.2	69.9	12.8	11.7
Acute	36.5	6.1	36.1	6.6	1.1
TOTAL	595.2	100.0	544.9	100.0	9.2

The Long Term Care segment recorded an increase in **revenue** (+9.5%), thanks to organic growth and a full year's contribution by the acquisitions made in 2018 and 2019; the Diagnostics and Cancer Cure segment also grew significantly (+11.7%), thanks to the evolution of the contract portfolio.

**Consolidated gross operating profit** amounted to € 141.3 million (€ 102.0 million excluding the effect of IFRS 16, in line with the amount recorded the previous year). The benefits of the new acquisitions, Charleston in particular, will already be visible in 2020 and will be up to speed over the next three years.

**Consolidated operating profit** was € 67.7 million, slightly higher than in 2018 (€ 66.3 million).

**The consolidated profit for the year** amounted to € 30.3 million, down compared with € 35.2 million in 2018, due to the higher financial expense (€ 1.9 million), the negative impact of IFRS 16 (€ 2.5 million) and the non-recurring charges for the acquisitions.

At 31 December 2019 the KOS group presented a **net financial indebtedness** before IFRS 16 of € 368.0 million compared with € 259.4 million at 31 December 2018; cash flow was positive for about € 44 million, acquisitions were made for € 99 million and greenfield development for € 18.7 million; lastly, dividends were distributed for € 35.9 million.

At 31 December 2019 consolidated equity amounted to € 292.2 million, compared with € 297.7 million at 31 December 2018.

The KOS group had 11,804 employees at 31 December 2019 compared with 7,006 at 31 December 2018. This increase is mainly due to changes in perimeter and the opening of new structures, particularly in residential care homes.

As regards the outlook for operations, during 2020 KOS expects to see a 30% increase in revenue, thanks to growth in the Italian business (around 5%) and the consolidation of Charleston for the entire year; however, in terms of profitability, the effect of the most recent investments will be felt over the next 3-5 years.

## ► AUTOMOTIVE COMPONENTS

In 2019, the world automotive market recorded a 5.8% decrease in production compared with 2018: -4.7% in Europe, -3.9% in North America, -8.9% in Asia and -4% in South America. In the fourth quarter, the decline was 5.4%, with Europe and NAFTA very weak (-6.3% and -8.9%, respectively).

Sogefi reported revenue of € 1,519.2 million, down 3.3% from 2018. The overall decrease was less than that of the market (-5.8%) thanks to the better trend in turnover in Europe. The breakdown of the group's consolidated revenue by business area is shown below.

(in millions of euro)	2019		2018		Change
	Amount	%	Amount	%	%
Suspensions	549.7	36.2	602.6	38.4	(8.8)
Filtration	546.4	36.0	537.2	34.2	1.7
Air and Cooling	426.1	28.0	433.5	27.6	(1.7)
Intra-group eliminations	(3.0)	(0.2)	(2.6)	(0.2)	n.s.
TOTAL	1,519.2	100.0	1,570.7	100.0	(3.3)

By business sector, Filtration went against the market trend as it achieved growth of 1.7%, Air and Cooling slipped (-1.7%) but less than the market, while Suspensions saw turnover decrease by 5.6%, in line with the market.

Gross operating profit amounted to € 174.3 million (of which € 12.4 million for the FTA of IFRS 16), while despite the drop in volumes, profitability (gross operating profit/Revenue %) came to 11.5%, in line with the previous year based on the same accounting standards and excluding the non-recurring income in 2018 of € 6.6 million deriving from closure of the quality claims of Systèmes Moteurs SAS.

Operating profit was € 39.6 million (€ 43 million excluding the write-offs of certain projects) compared with € 60.1 million in 2018 (€ 53.5 million without the non-recurring income of € 6.6 million). The operating profit showed good growth in Europe thanks to the actions taken in the year, while economic factors affecting the group's North American activities, the unfavourable performance of the Chinese and South American market and the start-up costs of the new plants in Morocco (Filtration) and Romania (Suspensions).

Profit for the year amounted to € 3.2 million compared with € 14.0 million in 2018.

Free cash flow in 2019 was € 8.4 million compared with € 2.9 million in 2018, which included the outflow for the purchase of the non-controlling interests in the Indian branch (€ 16.7 million).

Net financial indebtedness before IFRS 16 at 31 December 2019 was € 256.2 million, a slight decrease compared with € 260.5 million at the end of 2018. Including the € 62.7 million from FTA of IFRS 16, net financial indebtedness at 31 December 2019 amounted to € 318.9 million.

At 31 December 2019 consolidated equity amounted to € 207.8 million (€ 213.8 million at 31 December 2018).

The Sogefi group had 6,818 employees at 31 December 2019 compared with 6,967 at 31 December 2018. The reduction is due to the decrease in activity and the sale of the Fraize site which employed 127 employees at 31 December 2018.

With regard to the outlook, sectoral sources forecast a slight decrease in world car production in 2020, with Europe at -1.4%; for the first quarter of 2020, the trend should be significantly down, especially in China, with a recovery in the following quarters. That said, it should be emphasised that the market outlook remains highly uncertain and visibility reduced.

Taking its contract portfolio into account, Sogefi expects turnover to be substantially in line with 2019 and slightly above the market, maintaining profitability in Europe, thanks to the measures adopted mainly in the Suspensions business, and improving in North America, thanks to the new contracts acquired by the Air and Cooling business.

These forecasts do not incorporate the effects of Coronavirus; taking into account the relatively limited exposure of Sogefi to the Chinese market, the main risk is the impact on the world economy and on car production around the world.

## ► MEDIA

In 2019, the GEDI group made consolidated revenue of € 603.5 million, 7.0% down on 2018, due to the contraction in the advertising market and the continuing decline of newspaper and periodical sales. Adjusted operating profit, before non-recurring charges and IFRS 16, was € 26.9 million, compared with € 33.1 million in 2018. In 2019, significant write-downs were recognised on the carrying amounts of the newspapers, in a market context that was deteriorating worse than forecast. In particular, GEDI wrote down the value of its newspaper titles *La Repubblica* and *La Stampa* for € 105.6 million, net of related deferred taxes recorded in the financial statements. Furthermore, during 2019, the investment in Persidera was sold, making a loss of € 16.5 million. Lastly, a corporate restructuring fund was set up for € 25.1 million. Taking into account all of the above, the GEDI group recognised a net loss of € 129.0 million.



At 31 December 2019 net financial indebtedness, excluding the impact of IFRS 16, amounted to € 44.1 million, down by € 59.1 million compared with € 103.2 million at 31 December 2018, thanks to the proceeds of sale of Persidera (€ 71.1 million). Including the impact of IFRS 16, net financial indebtedness at 31 December 2019 amounted to € 99.4 million.

## 6. Non-core investments

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These are represented by private equity fund investments, non-strategic investments and other investments amounting to € 61.4 million at 31 December 2019, compared with € 72.5 million at 31 December 2018.

### ▶ PRIVATE EQUITY

CIR International S.A. manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 31 December 2019, based on the NAVs provided by the fund managers, came to € 44.5 million, a decrease of € 1.5 million compared with 31 December 2018. In 2019, the result of operations, net of commissions, exchange differences and fair value gains or losses, was negative for € 1.0 million. Outstanding commitments at 31 December 2019 amounted to € 20.5 million.

### ▶ OTHER INVESTMENTS

At 31 December 2019, CIR directly and indirectly held interests in non-strategic investments for a total of € 10.2 million and a non-performing loan portfolio for a total of € 6.7 million.

## 7. Outlook

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How results evolve will depend on the performance of the sectors in which the group has strategic investments, as well as on the trend in financial markets, to which are linked the returns on the financial assets managed by the non-industrial companies.

The forecasts made by the group and its subsidiaries do not take the Covid-19 epidemic into consideration as its evolution and impact on the group's business are currently impossible to foresee and therefore unquantifiable.

Covid-19 apart, during 2020 KOS expects to see a 30% increase in revenue, thanks to growth in its Italian business (around +5%) and the consolidation of Charleston for the entire year; the most recent investments will achieve their full potential over the next 3-5 years.

In the automotive sector, uncertainty about the market trend is now even more evident because of the unpredictable evolution of the Covid-19 phenomenon and its effects on the world economy and international trade. The group has a limited direct exposure to the Chinese market (China represents 5% of sales), but undoubtedly there is the risk of a Coronavirus pandemic and the impacts that might have on a market that is already in a state of weakness. Regardless of the Coronavirus risk, impossible to predict as of today, based on its contract portfolio and forecasts on the evolution of the market, Sogefi has forecast a turnover in line with that of 2019, a figure confirmed in the first two months of 2020, with profitability holding up in Europe and improving in North America, thanks to the new contracts acquired by the Air and Cooling business unit.

Group companies are committed to doing everything in their power to ensure the health and safety of

their employees, customers and suppliers, in compliance with the indications provided by WHO, by the Italian Ministry of Health and by the Authorities and bodies in charge of the various countries in which they operate. They follow the evolution of this phenomenon through constant monitoring of the situation, in order to ensure adequate planning of operating activities and suitable measures to combat the risks to which they are exposed.

## 8. Main risks and uncertainties to which CIR S.p.A. and the group are exposed

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### *Risks associated with the group's results*

The group operates in various sectors, mainly automotive components, which is subject to cyclical factors, and in healthcare, while the media business is currently being sold.

The magnitude and duration of economic cycles are difficult to predict. This means that any macroeconomic event, such as a significant decrease in a market, volatility in the financial market, a hike in energy prices, fluctuations in raw material prices, etc. could affect the group's business prospects, as well as its results and financial position. Moreover, a possible decrease in the spending capacity of the State and other public bodies could prejudice the healthcare business, as well as its results, equity and financial position.

The current year will also be strongly affected by the Covid-19 pandemic. At the date of this report, the Italian government has enacted very stringent measures to contain the spread of the virus, which reflect the gravity of the situation that is emerging. This event will almost certainly have a huge impact on the world economy, but it is impossible to predict at present as the effects will depend on the duration of the pandemic and our ability to contain it.

As regards the sectors in which the group operates, in healthcare, KOS could suffer impacts (currently not quantifiable) in terms of both lower hospitalisation revenue and higher costs for supplies of personal protection equipment and sanitation materials; as regards the automotive sector, Sogefi's production processes could be slowed down due to the contingent difficulties of the market; as for the businesses carried on by CIR and its non-industrial subsidiaries, the most significant effects could be greater volatility in the foreign exchange and stock markets, impacting the value of the investments held, particularly securities and the private equity funds.

### *Risks associated with funding requirements*

The group expects to meet its financial requirements in the form of maturing loans and planned investments by means of the cash flows from operations, available liquidity, the renewal or refinancing of bank loans and/or bonds. The group's main objective, even in the current market situation, will be to maintain the ability to generate adequate financial resources from its operating activities.

The group invests available liquidity by dividing the investments into a suitable number of primary counterparties, in any case maintaining a correlation between the residual life of these investments and the maturity of commitments on the funding side. However, also considering the current crisis in financial markets, situations where the banking and money market act as an obstacle to normal financial transactions cannot be ruled out.

### *Risks associated with fluctuations in exchange and interest rates*

A significant part of the group's debt involves paying financial expenses based on floating interest rates, mainly linked to Euribor. A possible increase in interest rates could therefore lead to an increase in the cost of loans or refinancing the debt contracted by group companies.

To limit the risk of interest rate fluctuations, the group uses interest rate derivatives to keep them within a pre-established range.

Some group companies, especially in the Sogefi group, carry on their activities in European countries that do not belong to the Euro area, as well as outside the European market, which means that they operate in different currencies, exposing themselves to the risk of fluctuations against the Euro. The

group also hedges these risks in line with its risk management policy, in order to contain the risk of exchange rate fluctuations.

Despite this hedging by the group, sudden fluctuations in exchange and interest rates could have a negative impact on the group's results.

#### *Risks associated with relations with customers and suppliers*

In its relations with customers, the group manages the risk of concentration of demand through appropriate diversification of the customer portfolio, both from a geographical point of view and by differentiating the distribution channel. With regard to the relationship with suppliers, a differentiated approach is taken, depending on the sector. The Sogefi group, in particular, implements an important diversification by using multiple suppliers operating in different parts of the world, which reduces the risk of changes in the price of raw materials and excessive dependence on key suppliers.

#### *Risks related to competition in the sectors where the group operates*

The group operates in markets that enjoy objective barriers to the entry of new competitors thanks to technological and qualitative gaps, the need for significant initial investments and the fact of operating in regulated sectors for which special authorisations are required from the competent authorities.

Moreover, it is significant how the ability to develop and offer innovative and competitive products allows group companies to make economic and financial results in line with their strategic forecasts.

#### *Risks related to environmental policy*

The group also operates in segments that are subject to a host of environmental laws and regulations (local, national and supranational) and such regulation is often revised and made more restrictive. The evolution of this regulation and compliance with it can lead to high costs and potential impacts on the group's profitability.

#### *Risks associated with the legal and regulatory framework*

Certain group companies carry on their activities in segments governed by European, national and regional laws and regulations. It cannot be excluded that the regulatory provisions that are issued from time to time by the European Union, the Italian Republic, the regions in which group companies operate, could have a significant impact on the group's results, equity and financial position.

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CIR, in its position as the parent, is essentially exposed to the same risks and uncertainties as the group.

## **9. Other information**

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### **Events after the reporting date**

#### **COVID-19**

In early January 2020, the WHO gave news of the spread of coronavirus in China, particularly in the city of Wuhan. From 30 January, the WHO declared an international health emergency. The number of cases in Italy was still very limited.

In February, the virus began to spread in Italy and on 4 March the Italian government decided to shut schools and universities throughout Italy until mid-March. On Sunday 8 March the government issued a decree ordering the isolation of Lombardy and 14 other provinces.

In light of this situation, the company immediately implemented all measures needed to guarantee the safety of workers and organised for people to work from home, where possible, to reduce the risk of contagion and ensure that work could continue.

At present, based on available information and in line with international financial reporting standards, the Covid-19 pandemic has been classified as a "non-adjusting" event (under IAS 10). The nature of the event has been described in this paragraph and, given the context of general uncertainty, there are currently no elements to quantify its impact. Depending on how the situation evolves, it could have unpredictable and potentially significant effects on future commercial and operating activities and therefore on the group's results, equity and financial position.

The forecast data and information contained in the "Outlook" section have to be considered "forward-looking statements". This means that, not being based on historical facts, they have by their nature a component of risk and uncertainty as they also depend on future events and developments beyond the control of the group, above all the recent Covid-19 pandemic. The forecast data refer to information available at the date they were published; the actual figures could vary substantially compared with the forecasts.

### Merger

CIR SpA - Compagnie Industriali Riunite (the "Merged Company") was merged with COFIDE - Gruppo De Benedetti SpA (the "Merging Company") on 19 February 2020, leading to the cancellation of the Merged Company.

These are therefore the last financial statements of CIR S.p.A. and all its assets and liabilities, as well as all of its contractual relations with employees, commercial and tax relations have been transferred to COFIDE S.p.A.

After the Merger, COFIDE S.p.A. changed its name to "CIR S.p.A. - Compagnie Industriali Riunite".

### **Other information**

The following information, declarations and data refer to the financial statements at 31 December 2019 of the merged company CIR S.p.A., but in the future will apply to the merging company CIR S.p.A. (formerly COFIDE S.p.A.), so reference should be made to the latter's financial statements for further clarification on:

- the risks and uncertainties to which the group and parent are exposed;
- employee incentive plans, which have been redetermined and transferred to CIR S.p.A. (formerly COFIDE S.p.A.);
- intra-group and related party transactions (for which the merging company CIR S.p.A. adopted the Procedure on 28 October 2010 pursuant to the Regulation approved by CONSOB with resolution no. 17221 of 12 March 2010 and subsequent amendments, published on the company's website [www.cirgroup.it](http://www.cirgroup.it) in the "Governance" section);
- National Tax Consolidation (at 31 December 2019, 14 companies of the KOS and Sogefi groups had joined the "CIR Tax Consolidation" for the three-year period 2019-2021);
- Corporate Governance Report (the full text of the "Annual Corporate Governance Report" for 2019 was approved in its entirety by the Board of Directors of CIR S.p.A. (formerly COFIDE S.p.A.) called to approve the draft financial statements at 31 December 2019. The Annual Corporate Governance Report is available to anyone who requests it, in the ways provided by Borsa Italiana for making it available to the public. The Report is also available on the company's website ([www.cirgroup.it](http://www.cirgroup.it)) in the "Governance" section);
- the Consolidated non-financial statement (Legislative Decree 254/2016) which the merged company CIR S.p.A. has prepared for 2019 in accordance with article 5, paragraph 3, letter b, of Legislative Decree 254/2016 and which constitutes a separate report, issued according to the "GRI Standards" and subjected to a limited examination by KPMG S.p.A., and which is available on the company's website ([www.cirgroup.it](http://www.cirgroup.it));

- the "Security Policy Document (SPD)";
- research and development (during 2019, R&D at group level was concentrated mainly in the automotive components sector. R&D expenditure by the Sogefi group during the year amounted to € 97.3 million (€ 104.1 million the previous year).

**Exemption from the obligation to publish information documents pursuant to articles 70, paragraph 8 and 71, paragraph 1-bis of the Issuers Regulation**

Pursuant to art. 70, paragraph 8, and art. 71, paragraph 1-bis, of Consob Regulation no. 11971/99, as amended by Resolution no. 18079 of 20 January 2012, the Board of Directors resolved to avail itself of the option to derogate from the obligation to publish the required information documents in the event of significant mergers, demergers, capital increases through the transfer of assets in kind, acquisitions and disposals.

**Other**

This report for the year 1 January – 31 December 2019 was approved by the Board of Directors on 9 March 2020.

**CIR S.p.A.**

# **Consolidated financial statements**

**31 December 2019**

1. Statement of financial position
2. Income statement
3. Statement of comprehensive income
4. Statement of cash flows
5. Statement of changes in equity
6. Notes to the consolidated financial statements

# 1. Statement of financial position

(in thousands of euro)

ASSETS	Notes	31.12.2019 (*)	31.12.2018
<b>NON-CURRENT ASSETS</b>		<b>2,421,771</b>	<b>2,314,052</b>
INTANGIBLE ASSETS	(7.a.)	670,368	1,139,840
PROPERTY, PLANT AND EQUIPMENT	(7.b.)	700,968	822,169
INVESTMENT PROPERTY	(7.c.)	15,629	17,825
RIGHT-OF-USE ASSETS	(7.d.)	865,988	--
EQUITY-ACCOUNTED INVESTEEES	(7.e.)	851	110,179
OTHER EQUITY INVESTMENTS	(7.f.)	1,863	12,525
OTHER ASSETS	(7.g.)	45,860	50,534
OTHER FINANCIAL ASSETS	(7.h.)	54,746	61,980
DEFERRED TAX ASSETS	(7.i.)	65,498	99,000
<b>CURRENT ASSETS</b>		<b>1,042,685</b>	<b>1,206,395</b>
INVENTORIES	(8.a.)	119,985	134,218
TRADE RECEIVABLES	(8.b.)	241,762	420,969
<i>of which with related parties (**)</i>	(8.b.)	611	690
OTHER ASSETS	(8.c.)	60,903	79,017
<i>of which with related parties (**)</i>	(8.c.)	105	105
LOAN ASSETS	(8.d.)	23,135	25,773
SECURITIES	(8.e.)	24,522	25,069
OTHER FINANCIAL ASSETS	(8.f.)	264,278	276,880
CASH AND CASH EQUIVALENTS	(8.g.)	308,100	244,469
<b>ASSETS HELD FOR SALE</b>	(8.h.)	<b>722,587</b>	<b>13,599</b>
<b>TOTAL ASSETS</b>		<b>4,187,043</b>	<b>3,534,046</b>
<b>LIABILITIES</b>			
<b>EQUITY</b>		<b>1,127,941</b>	<b>1,448,875</b>
SHARE CAPITAL	(9.a.)	320,637	322,089
RESERVES	(9.b.)	211,434	236,862
RETAINED EARNINGS	(9.c.)	371,264	364,307
PROFIT (LOSS) FOR THE YEAR		(121,682)	12,890
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>		<b>781,653</b>	<b>936,148</b>
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		346,288	512,727
<b>NON-CURRENT LIABILITIES</b>		<b>1,766,075</b>	<b>1,008,337</b>
BONDS	(10.a.)	310,671	270,254
OTHER LOANS AND BORROWINGS	(10.b.)	436,890	327,303
LEASE LIABILITIES	(10.c.)	786,980	--
OTHER LIABILITIES		60,077	62,968
DEFERRED TAX LIABILITIES	(7.i.)	56,764	169,698
EMPLOYEE BENEFIT OBLIGATIONS	(10.d.)	85,906	135,091
PROVISIONS FOR RISKS AND CHARGES	(10.e.)	28,787	43,023
<b>CURRENT LIABILITIES</b>		<b>796,384</b>	<b>1,067,470</b>
BANK LOANS AND BORROWINGS	(8.g.)	8,455	13,046
BONDS	(11.a.)	40,180	113,801
OTHER LOANS AND BORROWINGS	(11.b.)	68,946	144,874
LEASE LIABILITIES	(11.c.)	72,065	--
TRADE PAYABLES	(11.d.)	396,297	497,264
<i>of which with related parties (**)</i>	(11.d.)	--	2,483
OTHER LIABILITIES	(11.e.)	152,390	211,108
PROVISIONS FOR RISKS AND CHARGES	(10.e.)	58,051	87,377
<b>LIABILITIES HELD FOR SALE</b>	(8.h.)	<b>496,643</b>	<b>9,364</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,187,043</b>	<b>3,534,046</b>

(\*) The group applied the new IFRS 16 "Leases" from the date of first-time adoption (1 January 2019) using the modified retrospective approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at January 2019, without restating the comparative information.

(\*\*) As per Consob Resolution no. 6064293 of 28 July 2006

## 2. Income statement

(in thousands of euro)

	Notes	2019 (*)	2018 (***)
REVENUE	(12)	2,114,431	2,115,636
CHANGE IN INVENTORIES		(274)	(1,680)
COSTS FOR THE PURCHASE OF GOODS	(13.a.)	(890,170)	(916,019)
COSTS FOR SERVICES	(13.b.)	(324,662)	(369,068)
of which with related parties (**)	(13.b.) (228)	(298)	
PERSONNEL EXPENSES	(13.c.)	(556,592)	(529,516)
OTHER OPERATING INCOME	(13.d.)	26,410	25,917
of which with related parties (**)	(13.d.) 703	1,018	
OTHER OPERATING EXPENSE	(13.e.)	(76,550)	(66,248)
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(204,790)	(148,021)
<b>OPERATING PROFIT</b>		<b>87,803</b>	<b>111,001</b>
FINANCE INCOME	(14.a.)	7,112	8,667
of which with related parties (**)	(14.a.) --	--	--
FINANCE EXPENSE	(14.b.)	(51,589)	(41,327)
DIVIDENDS		42	2,783
GAINS FROM TRADING SECURITIES	(14.c.)	6,018	14,167
LOSSES FROM TRADING SECURITIES	(14.d.)	(1,247)	(655)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEEs	(7.e.)	43	(48)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(14.e.)	3,665	(10,310)
<b>PROFIT BEFORE TAX</b>		<b>51,847</b>	<b>84,278</b>
INCOME TAXES	(15)	(23,098)	(33,079)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>28,749</b>	<b>51,199</b>
LOSS FROM DISCONTINUED OPERATIONS	(16)	(294,716)	(30,938)
<b>PROFIT (LOSS) FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS</b>		<b>(265,967)</b>	<b>20,261</b>
- PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		144,285	(7,371)
- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT		<b>(121,682)</b>	<b>12,890</b>
<b>BASIC EARNINGS (LOSS) PER SHARE (in euro)</b>	(17)	(0.1897)	0.0198
<b>DILUTED EARNINGS (LOSS) PER SHARE (in euro) (****)</b>	(17)	(0.1897)	0.0198
<b>BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euro)</b>	(17)	0.0448	0.0788
<b>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euro)</b>	(17)	0.0447	0.0786

(\*) The group applied the new IFRS 16 "Leases" from the date of first-time adoption (1 January 2019) using the modified retrospective approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

(\*\*) As per Consob Resolution no. 6064293 of 28 July 2006

(\*\*\*) Certain 2018 figures, relating to "Assets held for sale", have been reclassified to "Loss from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations"

(\*\*\*\*) In the event of a negative result, the diluted loss per share is the same as the basic loss per share



### 3. Statement of comprehensive income

(in thousands of euro)

	2019 (*)	2018 (**)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	28,749	51,199
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</i>		
- ACTUARIAL GAINS (LOSSES)	(6,699)	2,420
- TAX EFFECT	1,410	(570)
<b>SUBTOTAL OF ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>(5,289)</b>	<b>1,850</b>
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</i>		
- FOREIGN OPERATIONS - FOREIGN CURRENCY TRANSLATION DIFFERENCES	(3,474)	(10,687)
- CASH FLOW HEDGES - NET CHANGE IN FAIR VALUE	957	2,004
- OTHER COMPREHENSIVE INCOME (EXPENSE)	--	--
- TAX EFFECT	(230)	(481)
<b>SUBTOTAL OF ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>	<b>(2,747)</b>	<b>(9,164)</b>
<b>OTHER COMPREHENSIVE EXPENSE</b>	<b>(8,036)</b>	<b>(7,314)</b>
<b>COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>	<b>20,713</b>	<b>43,885</b>
<b>COMPREHENSIVE EXPENSE FROM DISCONTINUED OPERATIONS</b>	<b>(294,716)</b>	<b>(30,938)</b>
<b>COMPREHENSIVE INCOME (EXPENSE)</b>	<b>(274,003)</b>	<b>12,947</b>
<b>COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:</b>		
OWNERS OF THE PARENT	(126,205)	8,691
NON-CONTROLLING INTERESTS	(147,798)	4,256
<b>BASIC COMPREHENSIVE EARNINGS (LOSS) PER SHARE (IN EURO)</b>	<b>(0.1967)</b>	<b>0.0134</b>
<b>DILUTED COMPREHENSIVE EARNINGS (LOSS) PER SHARE (IN EURO) (***)</b>	<b>(0.1967)</b>	<b>0.0133</b>
<b>BASIC EARNINGS PER SHARE FROM COMPREHENSIVE INCOME OF CONTINUING OPERATIONS (IN EURO)</b>	<b>0.0323</b>	<b>0.0675</b>
<b>DILUTED EARNINGS PER SHARE FROM COMPREHENSIVE INCOME OF CONTINUING OPERATIONS (IN EURO)</b>	<b>0.0322</b>	<b>0.0674</b>

(\*) The group applied the new IFRS 16 "Leases" from the date of first-time adoption (1 January 2019) using the modified retrospective approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

(\*\*) Certain 2018 figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations"

(\*\*\*) In the event of a negative result, the diluted loss per share is the same as the basic loss per share.

## 4. Statement of cash flows

(in thousands of euro)

	2019 (*)	2018 (**)
<b>OPERATING ACTIVITIES</b>		
PROFIT FROM CONTINUING OPERATIONS	28,749	51,199
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	204,790	148,021
INTEREST EXPENSE ON LEASE LIABILITIES	13,871	--
NET FAIR VALUE GAINS ON EQUITY-ACCOUNTED INVESTEEs	(43)	48
COSTS ON STOCK OPTION PLANS/STOCK GRANT	2,358	2,953
CHANGES IN EMPLOYEE BENEFIT OBLIGATIONS, PROV. FOR RISKS & CHARGES	10,113	(11,208)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(3,655)	10,310
GAINS ON DISPOSAL OF NON-CURRENT ASSETS	(4,177)	(11,282)
OTHER NON-MONETARY CHANGES	(2,938)	(3,559)
DECREASE IN NON-CURRENT ASSETS/LIABILITIES	(5,114)	(2,991)
(INCREASE) DECREASE IN CURRENT ASSETS/LIABILITIES	(4,301)	24,397
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>239,653</b>	<b>207,888</b>
of which:		
- interest paid	(27,208)	(28,925)
- income tax paid	(31,230)	(26,845)
<b>INVESTING ACTIVITIES</b>		
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(98,384)	(21,533)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	4,615	551
CHANGE IN OTHER LOAN ASSETS	1,824	(3,464)
(PURCHASE) SALE OF SECURITIES	25,207	(20,751)
SALE OF NON-CURRENT ASSETS	6,364	2,063
PURCHASE OF NON-CURRENT ASSETS	(180,555)	(167,631)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(240,929)</b>	<b>(210,765)</b>
<b>FINANCING ACTIVITIES</b>		
PROCEEDS FROM CAPITAL INCREASES	79	928
OTHER CHANGES	(307)	1,566
DRAWDOWN OF OTHER LOANS AND BORROWINGS/LOAN ASSETS	251,952	33,534
REPAYMENT OF LEASE LIABILITIES	(63,118)	--
PURCHASE OF TREASURY SHARES OF GROUP COMPANIES	(3,181)	(12,566)
DIVIDENDS PAID	(45,072)	(37,257)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>140,353</b>	<b>(13,795)</b>
<b>INCREASE (DECREASE) IN NET CASH &amp; CASH EQUIVALENTS OF CONTINUING OPERATIONS</b>	<b>139,077</b>	<b>(16,672)</b>
<b>OPENING CASH FLOWS/NET CASH &amp; CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>6,334</b>	<b>(73,027)</b>
<b>OPENING NET CASH &amp; CASH EQUIVALENTS</b>	<b>154,234</b>	<b>243,933</b>
<b>CLOSING NET CASH &amp; CASH EQUIVALENTS</b>	<b>299,645</b>	<b>154,234</b>

(\*) The group applied the new IFRS 16 "Leases" from the date of first-time adoption (1 January 2019) using the modified retrospective approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

(\*\*) Certain 2018 figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".

## 5. Statement of changes in equity

(in thousands of euro)	Attributable to the owners of the parent													Non-controlling interests	Total
	Share capital issued	less treasury shares	Share capital	Share premium reserve	Legal reserve	Fair value reserve	Translation reserve	Reserve for treasury shares	Stock option and stock grant reserve	Other reserves	Retained earnings	Profit (loss) for the year	Total		
BALANCE AT 31 DECEMBER 2017	397,146	(69,083)	328,063	40,506	115,969	22,836	(21,526)	69,083	15,468	30,209	372,659	(5,948)	967,319	525,094	1,492,413
Adjustments on FTA of IFRS 15, net of tax	--	--	--	--	--	--	208	--	--	(6,543)	--	(2)	(6,337)	(4,851)	(11,188)
BALANCE RESTATED AT 31 DECEMBER 2017	397,146	(69,083)	328,063	40,506	115,969	22,836	(21,318)	69,083	15,468	23,666	372,659	(5,950)	960,982	520,243	1,481,225
Adjustments on FTA of IFRS 9, net of tax	--	--	--	--	--	(25,448)	(6,632)	--	--	(1,389)	32,080	--	(1,389)	(1,152)	(2,541)
BALANCE RESTATED AT 1 JANUARY 2018	397,146	(69,083)	328,063	40,506	115,969	(2,612)	(27,950)	69,083	15,468	22,277	404,739	(5,950)	959,593	519,091	1,478,684
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	928	928
Dividends to shareholders	--	--	--	--	--	--	--	--	--	--	(24,764)	--	(24,764)	(12,493)	(37,257)
Retained earnings	--	--	--	--	--	--	--	--	--	--	(5,950)	5,950	--	--	--
Unclaimed dividends as per Art. 23 of the by-laws	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Equity transactions	--	(5,974)	(5,974)	223	--	--	--	5,974	--	--	(12,899)	--	(12,676)	--	(12,676)
Reclassifications	--	--	--	--	--	--	--	--	(3,181)	--	3,181	--	--	--	--
Notional cost of stock options and stock grants credited	--	--	--	--	--	--	--	--	1,794	--	--	--	1,794	--	1,794
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	(5)	(57)	--	--	3,572	--	--	3,510	945	4,455
Comprehensive income for the year	--	--	--	--	--	868	--	--	--	--	--	--	868	655	1,523
Fair value gains on cash flow hedges	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Translation differences	--	--	--	--	--	--	(6,041)	--	--	--	--	--	(6,041)	(4,646)	(10,687)
Actuarial losses	--	--	--	--	--	--	--	--	--	974	--	--	974	876	1,850
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	12,890	12,890	7,371	20,261
Comprehensive income (expense) for the year	--	--	--	--	--	868	(6,041)	--	--	974	--	12,890	8,691	4,256	12,947
BALANCE AT 31 DECEMBER 2018	397,146	(75,057)	322,089	40,729	115,969	(1,749)	(34,048)	75,057	14,081	26,823	364,307	12,890	936,148	512,727	1,448,875
Adjustments on FTA of IFRS 16, net of tax	--	--	--	--	--	--	--	--	--	678	(4,357)	--	(3,679)	(2,800)	(6,479)
BALANCE RESTATED AT 1 JANUARY 2019	397,146	(75,057)	322,089	40,729	115,969	(1,749)	(34,048)	75,057	14,081	27,501	359,950	12,890	932,469	509,927	1,442,396
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	79	79
Dividends to shareholders	--	--	--	--	--	--	--	--	--	(25,007)	--	--	(25,007)	(20,065)	(45,072)
Retained earnings	--	--	--	--	--	--	--	--	--	907	11,983	(12,890)	--	--	--
Unclaimed dividends as per Art. 23 of the by-laws	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Equity transactions	--	(1,452)	(1,452)	347	--	--	--	1,452	--	--	(3,528)	--	(3,181)	--	(3,181)
Reclassifications	--	--	--	--	--	--	--	--	(2,848)	(11)	2,859	--	--	--	--
Notional cost of stock options and stock grants credited	--	--	--	--	--	--	--	--	1,864	--	--	--	1,864	--	1,864
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	99	64	--	--	1,550	--	--	1,713	4,145	5,858
Comprehensive income for the year	--	--	--	--	--	415	--	--	--	--	--	--	415	312	727
Fair value gains on cash flow hedges	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Translation differences	--	--	--	--	--	--	(1,914)	--	--	--	--	--	(1,914)	(1,560)	(3,474)
Actuarial losses	--	--	--	--	--	--	--	--	--	(3,024)	--	--	(3,024)	(2,265)	(5,289)
Loss for the year	--	--	--	--	--	--	--	--	--	--	--	(121,801)	(121,682)	(144,285)	(265,967)
Comprehensive income (expense) for the year	--	--	--	--	--	415	(1,914)	--	--	(3,024)	--	(121,801)	(126,205)	(147,798)	(274,003)
Balance at 31 December 2019	397,146	(76,509)	320,637	41,076	115,969	(1,235)	(35,898)	76,509	13,097	1,916	371,264	(121,801)	781,653	346,288	1,127,941

The group applied the new IFRS 16 "Leases" from the date of first-time adoption (1 January 2019) using the modified retrospective approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

## 6. Notes to the consolidated financial statements

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### 1. Basis of preparation

These consolidated financial statements, have been prepared on a going-concern basis in accordance with the International Financial Reporting Standards adopted by the European Union, as well as all the measures issued in implementation of art. 9 of Legislative Decree 38/05. Please refer to the paragraph "Adoption of new accounting standards, interpretations and amendments" for an explanation of the standards that came into force for the first time on 1 January 2019. It should be noted that 2019 is the first period in which the group applies IFRS 16, the effects of which are described below.

The consolidated financial statements at 31 December 2019 include the parent CIR S.p.A. (hereinafter "CIR") and its subsidiaries, and were prepared using the financial statements of the individual companies included in the consolidation scope; these correspond to their separate financial statements or the consolidated financial statements of sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting policies listed below, providing they are compatible with Italian regulations.

The presentation criteria adopted are as follows:

- the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;
- the income statement is shown by type of expenditure;
- the statement of comprehensive income shows the income and expenses that are deferred in equity;
- the statement of cash flows has been prepared using the indirect method;
- the statement of changes in equity gives a breakdown of the changes that took place in the reporting year and in the previous year.

It should be noted that the classification, form, order and nature of the financial statements items have not changed with respect to the consolidated financial statements approved at 31 December 2018, with the exception of the items that refer to first-time adoption (FTA) of IFRS 16 from 1 January 2019, which led to the introduction of specific new captions in the statement of financial position.

The financial statements of each of the companies within the consolidation scope are prepared in the currency of the main geographical area in which it operates ("functional currency"). For the purposes of the consolidated financial statements, the assets and liabilities of foreign companies that use functional currencies other than the euro are translated at the exchange rates ruling at the year-end, including goodwill and fair value adjustments generated by the acquisition of a foreign company. Revenue, income, costs and charges are all translated at average exchange rates for the year, which approximate those of the underlying transactions. Exchange gains or losses are recognised in the statement of comprehensive income and shown in the statement of changes in equity in the "Translation reserve". Exchange gains and losses on monetary assets or liabilities of foreign operations, the collection or payment of which is neither planned nor probable in the foreseeable future, are considered part of the net investment in foreign operations, are accounted for in other components of comprehensive income and shown in the statement of changes in equity in the "Translation reserve".

The consolidated financial statements have been prepared considering the expected sale of the GEDI group (Media segment) following the agreement on 2 December 2019 between CIR and EXOR who signed a contract for EXOR to buy CIR's entire 43.78% investment in GEDI through a vehicle set up specifically for the occasion and wholly owned by EXOR.

The price paid by EXOR to CIR for its investment is € 0.46 per share, for a total of € 102.4 million.

It should be noted that completion of the transfer of the investment to EXOR is subject to certain conditions precedent. The parties have agreed that if, for any reason, one or more of the conditions precedent does not come about by 31 May 2020, the GEDI Sale Agreement will be considered automatically and definitively terminated and without effect.

Consequently, given that the conditions envisaged by IFRS 5 "*Non-current assets held for sale and discontinued operations*" were met, the GEDI group has been shown as a discontinued operation.

In this regard, the following entries have been made in the consolidated financial statements at 31 December 2019:

- in the statement of financial position, the assets and liabilities relating to the Media sector have been reclassified to "*Assets and liabilities held for sale*";
- in the income statement and statement of comprehensive income at 31 December 2019 and for comparative purposes at 31 December 2018, the items of revenue, income, costs and charges as well as the fair value adjustment of the activities that make up the discontinued operation for € 167,945 thousand, less costs to sell, have been reclassified to "*Profit (loss) from discontinued operations*";
- in the statement of cash flows for the years ended 31 December 2019 and for comparative purposes at 31 December 2018, the individual flows generated by the activities that constitute the discontinued operation have been reclassified to "*Cash flow generated by assets held for sale*" excluding the effects of the flows of the GEDI group which are presented in the following paragraph.

#### 1.a. Key figures of the GEDI group

The income statement, the comprehensive income statement and the cash flow statement of the GEDI group at 31 December 2019 and 31 December 2018 as well as the statement of financial position at 31 December 2019 are presented in detail below.

#### CONSOLIDATED INCOME STATEMENT – GEDI GROUP

(in thousands of euro)

	2019	2018
REVENUE	603,508	648,736
<b>OPERATING LOSS</b>	<b>(129,589)</b>	<b>(11,084)</b>
NET FINANCE EXPENSE	(7,829)	(22,791)
MEASUREMENT OF EQUITY-ACCOUNTED INVESTEEES	440	648
INCOME TAX	24,460	1,092
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(16,467)	77
<b>LOSS FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS</b>	<b>(128,985)</b>	<b>(32,058)</b>

## CONSOLIDATED COMPREHENSIVE INCOME – GEDI GROUP

(in thousands of euro)

	2019	2018
<b>LOSS FROM CONTINUING OPERATIONS</b>	<b>(112,518)</b>	<b>(32,135)</b>
<i>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</i>		
ACTUARIAL GAINS (LOSSES)	(1,737)	1,005
TAX EFFECT	419	(241)
<b>SUBTOTAL OF ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>(1,318)</b>	<b>764</b>
<b>SUBTOTAL OF ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>	<b>--</b>	<b>--</b>
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>	<b>(1,318)</b>	<b>764</b>
<b>COMPREHENSIVE EXPENSE FROM CONTINUING OPERATIONS</b>	<b>(113,836)</b>	<b>(31,371)</b>
<b>COMPREHENSIVE INCOME (EXPENSE) FROM DISCONTINUED OPERATIONS</b>	<b>(16,467)</b>	<b>77</b>
<b>COMPREHENSIVE EXPENSE</b>	<b>(130,303)</b>	<b>(31,294)</b>

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 – GEDI GROUP

(in thousands of euro)

<b>ASSETS HELD FOR SALE</b>	<b>31.12.2019</b>
<b>NON-CURRENT ASSETS</b>	<b>629,313</b>
<b>CURRENT ASSETS</b>	<b>261,219</b>
<b>TOTAL ASSETS HELD FOR SALE</b>	<b>890,532</b>
<b>LIABILITIES HELD FOR SALE</b>	<b>31.12.2019</b>
<b>NON-CURRENT LIABILITIES</b>	<b>194,413</b>
<b>CURRENT LIABILITIES</b>	<b>302,230</b>
<b>TOTAL LIABILITIES HELD FOR SALE</b>	<b>496,643</b>

## STATEMENT OF CASH FLOWS AT 31 DECEMBER 2019 – GEDI GROUP

(in thousands of euro)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>14,561</b>	<b>21,504</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>61,083</b>	<b>(4,878)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(101,626)</b>	<b>(2,904)</b>
<b>INCREASE (DECREASE) IN NET CASH &amp; CASH EQUIVALENTS OF CONTINUING OPERATIONS</b>	<b>(25,982)</b>	<b>13,722</b>
<b>OPENING CASH FLOWS/NET CASH &amp; CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>--</b>	<b>--</b>
<b>OPENING NET CASH &amp; CASH EQUIVALENTS</b>	<b>77,189</b>	<b>63,467</b>
<b>CLOSING NET CASH &amp; CASH EQUIVALENTS</b>	<b>51,207</b>	<b>77,189</b>

The following table shows the fair value adjustment of the assets that make up the discontinued operation which have been reclassified to "*Profit (loss) from discontinued operations*". In application of IAS 36, the fair value adjustment involved "Intangible assets", "Property, plant and equipment" and "Right-of-use assets".

(in thousands of euro)

	Financial statements of GEDI group	Fair value adjustment	Consolidated financial statements of CIR
<b>ASSETS HELD FOR SALE</b>			
<b>NON-CURRENT ASSETS</b>	<b>629,313</b>	<b>(167,945)</b>	<b>461,368</b>
INTANGIBLE ASSETS	435,569	(130,060)	305,509
PROPERTY, PLANT AND EQUIPMENT	73,158	(21,845)	51,313
RIGHT-OF-USE ASSETS	53,717	(16,040)	37,677
EQUITY-ACCOUNTED INVESTEEES	17,891	--	17,891
OTHER ASSETS	10,169	--	10,169
DEFERRED TAX ASSETS	38,809	--	38,809
<b>CURRENT ASSETS</b>	<b>261,219</b>	<b>--</b>	<b>261,219</b>
INVENTORIES	15,919	--	15,919
TRADE RECEIVABLES	173,042	--	173,042
OTHER ASSETS	20,840	--	20,840
CASH AND CASH EQUIVALENTS	51,418	--	51,418
<b>TOTAL ASSETS HELD FOR SALE</b>	<b>890,532</b>	<b>(167,945)</b>	<b>722,587</b>

The following table summarises the amounts reclassified under "*Profit (loss) from discontinued operations*" in the consolidated income statement of the CIR group at 31 December 2019.

(in thousands of euro)	31 December 2019	
Loss of the year including non-controlling interests of the GEDI group	A	(128,985)
Adjustment of carrying amounts to fair value	B	(167,945)
Costs to sell	C	(1,803)
<b>Loss from discontinued operations</b>	<b>D=A+B+C</b>	<b>(298,733)</b>
of which:		
Loss attributable to the owners of the parent		(136,742)
Loss attributable to non-controlling interests		(161,991)

In accordance with paragraph 17 of IAS 10, the financial statements were approved for publication by the company's Board of Directors on 9 March 2020.

## 2. Basis of consolidation

### 2.a. Consolidation methods

All the companies that group controls according to IFRS 10 are included in the consolidation scope. Based on the definition of "control", an investor controls an investee when it has power over the relevant assets, is exposed to variable returns deriving from the relationship with the investee and has the ability to affect these returns by exercising power over the investee.

Subsidiaries are consolidated on a line-by-line basis from the date on which control by the group began, whereas they are deconsolidated from the moment that such control ceases.

Consolidation is on a line-by-line basis.

The main criteria used in applying this method are the following:

- the carrying amount of the investments is eliminated against the related equity and the difference between the acquisition cost and the equity of the investees is charged to the assets and liabilities included in the consolidation, if the conditions exist. Any difference is recognised in the income statement if negative, or in "Goodwill" if positive. Goodwill is tested for impairment to determine the recoverable amount;
- significant transactions between consolidated companies are eliminated, as are liabilities, assets and unrealised profits from transactions between group companies, net of any tax effect;
- non-controlling interests in equity or loss for the year are shown in specific items of the consolidated statement of financial position and income statement.

#### Associates

Associates are those companies in which the group has a significant influence, without having control over it, in accordance with IAS 28. Significant influence is presumed to exist if the group owns a percentage of voting rights between 20% and 50% (excluding situations where there is joint control). Associates are consolidated at equity from the date on which the group exercises significant influence over the associate, whereas they are deconsolidated from the moment that such influence no longer exists.

The main criteria adopted for applying the equity method are the following:

- the carrying amount of the investments is eliminated against the group's share of equity and any positive difference, identified at the time of the acquisition, net of any impairment; the corresponding portion of profits or losses for the year is recognised in the income statement. When the group's share of accumulated losses becomes equal to or exceeds the carrying amount of the associate, the latter is written off and the group does not record further losses unless it is contractually obliged to do so;
- any unrealised gains and losses on transactions between group companies are eliminated with the exception of losses that represent impairment of the associate's assets;
- the accounting policies of associates are modified, where necessary, to bring them into line with those of the group.



### Joint ventures

Joint ventures are accounted for using the equity method in accordance with IFRS 11.

For consolidation purposes, all of the financial statements of group companies are prepared on the same date and refer to a financial year of the same length.

### **2.b. Translation of foreign companies' financial statements into euro**

The financial statements of foreign subsidiaries operating in currencies other than the euro are translated into euro at the year-end exchange rates for the statement of financial position, while the income statement is translated at the average exchange rates for the year. Any exchange gains or losses arising on translation of equity at the closing exchange rate and of the income statement at the average rate are recognised under "Other reserves" in equity.

The main exchange rates used are the following:

	<b>2019</b>		<b>2018</b>	
	<i>Average exchange rate</i>	<i>31.12.2019</i>	<i>Average exchange rate</i>	<i>31.12.2018</i>
US dollar	1.1196	1.1234	1.1810	1.1450
GB pound	0.8773	0.8508	0.8847	0.8945
Brazilian real	4.4135	4.5157	4.3087	4.4440
Argentine peso	53.7924	67.2749	32.9056	43.1593
Chinese renminbi	7.7340	7.8205	7.8076	7.8751
Indian rupee	78.8644	80.1870	80.7103	79.7298
New Romanian leu	4.7456	4.7830	4.6540	4.6635
Canadian dollar	1.4858	1.4598	1.5302	1.5605
Mexican peso	21.5564	21.2202	22.7169	22.4921
Moroccan dirham	10.7666	10.7810	11.0840	10.9390
Hong Kong dollar	8.7727	8.7473	9.2601	8.9675

### **IAS 29 – Financial Reporting in Hyperinflationary Economies**

The financial statements of the Argentine consolidated companies, which form part of the Sogefi group, were prepared at 31 December 2019 in the functional currency taking into account the effects of applying IAS 29 "Financial reporting in hyperinflationary economies" in order to represent the operating profit and financial position and performance at current purchasing power at the year end.

This standard does not establish an absolute inflation rate above which hyperinflation occurs. The first consideration is whether or not the figures in the financial statements ought to be restated in accordance with this standard. Situations that could be indicative of hyperinflation include the following:

- a) the community prefers to invest its wealth in non-monetary assets or in a relatively stable foreign currency. Local currency tends to be invested immediately to maintain purchasing power;
- b) the community considers monetary values not so much with respect to the local currency, but with respect to a relatively stable foreign currency. Prices may be expressed in this other currency;
- c) sales and purchases on credit take place at prices which compensate for expected losses in purchasing power during the period of extended credit, even if short;
- d) interest rates, wages and prices are linked to a price index;
- e) the cumulative inflation rate over a three-year period approaches, or exceeds, 100%.

The financial statements of the Argentine consolidated companies have been prepared taking account of IAS 29 as the cumulative inflation rate in Argentina for the last three years is approximately 120%.

The non-monetary figures in the statement of financial position are restated by applying the change in the general price index between the date they were first recognised and the year-end. Monetary items are not restated because they are already expressed in the current unit of measurement at the year-end. All items in the income statement are expressed in the current unit of measurement at the year-end, applying the change in the general price index between the date when the income and costs were initially recognised in the financial statements.

Note that application of this standard has led to restatement of the income statement figures and the following non-monetary items at the current unit of measurement: "Property, plant and equipment", "Intangible assets", "Inventories", "Deferred taxes", "Tooling contract liabilities" (liabilities recognised on FTA of IFRS 15).

## **2.c. Consolidation scope**

The consolidation scope of the group at 31 December 2019 includes the parent CIR and all subsidiaries, directly and indirectly controlled, joint ventures and associates. Assets and liabilities held for sale are reclassified to specific asset and liability items to highlight these circumstances.

A list of the equity investments included in the consolidation scope, with an indication of the consolidation method used, is provided in a specific section of this report, along with a list of those that have been excluded.

With reference to IFRS 12, the information required to be disclosed on non-controlling interests and associates deemed relevant for the group is provided below.

The group has defined as relevant for these purposes companies that represent at least 2% of total group assets, net of assets held for sale, or 5% of total group revenue.

At 31 December 2019 there are no relevant companies with significant non-controlling interests.

## **2.d. Change in the consolidation scope**

The main changes in the consolidation scope compared with the previous year concern the following:

### **► MEDIA**

Following the agreement dated 2 December 2019 with which CIR and EXOR signed a contract for the purchase by EXOR of CIR's entire 43.78% investment in GEDI and given that the conditions envisaged by IFRS 5 "Non-current assets held for sale and discontinued operations" were met, the GEDI group has been represented as a discontinued operation.

### **► AUTOMOTIVE COMPONENTS**

The changes in consolidation scope during the year relating to the SOGEFI group are reported below:

- the subsidiary Sogefi Engine Systems Hong Kong Ltd sold its investment in the subsidiary MARK IV Asset (Shanghai) Auto Parts to the other partner in the JV (Shanghai Asset Industrial).

There were no other changes in the consolidation scope during the year.

## ► HEALTHCARE

The following acquisitions took place during the year:

- 100% of SELEMAR S.r.l., a laboratory. The company was absorbed by its parent KOS Care S.r.l. on 1 July 2019;
- in July, KOS Germany GmbH was set up as a corporate vehicle for the acquisition of Charleston Holding GmbH, a German company that provides residential services for elderly people who are not self-sufficient and ancillary services for elderly and highly disabled patients. It manages 47 residences for a total of 4,050 beds and had revenue in 2018 of € 152 million. The closing of the deal took place at the end of October.
- 100% of Laboratorio Gamma S.r.l. was acquired in September;
- the acquisition of 100% of Casa Serena S.r.l. was completed in October;
- 100% of Villa Pineta S.r.l. was acquired in November.

## ► OTHER COMPANIES

The liquidation of the subsidiary IEPL - Institut D'Ecole Primaire Leman SA was terminated in July.

## 3. Accounting policies

### 3.a. Intangible assets (IAS 38)

Intangible assets are recognised only if they can be separately identified, if they are likely to generate future economic benefits and if their cost can be reliably determined.

Intangible assets are initially recognised at acquisition or production cost.

The acquisition cost is represented by the fair value of the means of payment used to acquire the asset and by any direct costs incurred to prepare the asset for use. The acquisition cost is the equivalent price in cash at the recognition date and, therefore, if payment is deferred beyond normal credit terms, the difference with respect to the equivalent price in cash is recognised as interest over the period of extended credit.

Intangible assets with a finite useful life are measured at acquisition or production cost, net of amortisation and accumulated impairment.

Amortisation is calculated on a straight-line basis over the asset's expected useful life and starts when the asset is available for use.

#### Development costs

Development costs are only capitalised if the cost attributable to the asset during its development can be measured reliably, the product or process is feasible in technical and commercial terms, future economic benefits are probable and the group intends and has sufficient resources to complete its development and to use or sell the asset. Other development costs are recognised to profit or loss for the year when they are incurred. Capitalised development costs are recognised at cost net of accumulated amortisation and accumulated impairment, if any.

### Concessions, licences, trademarks and similar rights

Concessions, licences, trademarks and similar rights, initially recognised at cost, are subsequently accounted for net of amortisation and accumulated impairment losses. The amortisation period is the lower of the contract term, if any, and the useful life of the asset.

### Goodwill

In the event of a company acquisition, the identifiable assets, liabilities and potential liabilities acquired are recognised at their fair value on the acquisition date. Any positive difference between the purchase cost and the group's interest in the fair value of these assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference, on the other hand, is recognised to profit or loss at the time of the acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill always refers to identified income-producing assets, whose ability to generate income and cash flow is monitored constantly for impairment.

Any impairment that emerge from the impairment test are recognised in the income statement under "Amortisation, depreciation and write-downs" and are not reinstated in subsequent periods.

### **3.b. Property, plant and equipment (IAS 16)**

Property, plant and equipment are initially recognised at acquisition or production cost.

The cost includes ancillary charges and direct and indirect costs incurred at the time of acquisition and needed to make the asset ready for use. The finance expense on specific loans for long-term investments is capitalised up to the date that the asset comes into operation.

Costs involved in the expansion, modernisation or improvement of structural elements owned or used by third parties are only capitalised to the extent that they meet the requirements to be classified separately as an asset or part of an asset. Ordinary maintenance costs are recognised in profit or loss.

When there are contractual obligations for the dismantling, removal or reclamation of sites where items of property, plant and equipment are installed, the amount recognised also includes the present value of the estimated costs to be incurred at the time of their disposal.

Property, plant and equipment are depreciated each year on a straight-line basis over the residual useful life of the assets.

After initial recognition, property, plant and equipment are measured at cost, net of accumulated depreciation and any impairment. The depreciable value of each significant component of an item of property, plant and equipment that has a different useful life is spread over the expected period of use on a straight-line basis.

The depreciation criteria used, the useful lives and the residual amounts are reviewed and redefined at least at the end of each financial period to take any significant changes into account.

Costs capitalised for leasehold improvements are depreciated over the lower of the residual duration of the lease contract and the residual useful life of the asset in question.

The carrying amount of property, plant and equipment is maintained in the financial statements to the extent that there is evidence that this amount can be recovered through use. Land, assets under construction and payments on account are not depreciated.

Land and buildings not held for business purposes according to the objects of group companies are classified in a specific asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 3.d. below).

If events suggest that an asset has been impaired, the carrying amount is checked against it with the recoverable amount, represented by the higher of its fair value and value in use. The fair value is defined on the basis of values expressed by an active market, by recent transactions, or by the best

information available in order to determine the potential amount that could be obtained by selling the asset. The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying best estimates of the residual useful life and a discount rate that takes into account the implicit risk of the specific business sectors in which the group operates.

If there are negative differences between the values mentioned above and the carrying amount, the asset is written down; if the reasons for the impairment no longer exist, the asset is revalued. Impairment losses and revaluations are recognised in the profit or loss.

### **3.c. Government grants**

Government grants are recognised when there is reasonable certainty that the beneficiary will comply with the conditions and the grants will therefore be received, regardless of whether or not the grant has been formally approved.

Capital grants are recognised in the statement of financial position either as deferred income, which is then transferred to profit or loss based on the useful life of the asset for which it was granted, thereby lowering the depreciation charges, or by deducting them directly from the asset concerned.

Government grants to reimburse costs that have already been incurred, or to provide immediate aid to the recipient without there being any future costs related to them, are recognised as income in the year when they are due.

### **3.d. Investment property (IAS 40)**

An investment property is real estate, land or building - or part of a building - or both, held by the owner or by the lessee, also through a finance lease contract, for the purpose of earning rent or for appreciation of the capital invested in it or for both reasons, rather than for direct use in the production or supply of goods or services, or in corporate administration or sale, in the normal course of business.

The cost of an investment property is represented by the acquisition cost, improvements, replacements and extraordinary maintenance.

For in-house construction work, all of the costs incurred up to the date of completion of the construction or development are taken into account. Until that date, the conditions set out in IAS 16 apply.

The group has opted for the cost method, to be applied to all investment properties held. According to the cost method, the measurement is performed net of depreciation and accumulated impairment.

### **3.e. Impairment of intangible assets and property, plant and equipment (IAS 36)**

At least once a year, the group checks the recoverability of the carrying amount of its intangible assets and property, plant and equipment to see whether there is any sign that these assets may have suffered an impairment loss. If such evidence exists, the carrying amount of the assets is reduced to their recoverable amount.

An intangible asset with an indefinite useful life is tested for impairment every year or more frequently, whenever there is an indication that the asset may have suffered an impairment.

When 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.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. To determine the value in use of an asset, the group calculates the present value of the estimated future cash flows, applying a discount rate consistent with the cash flows, which reflects the current market assessments of the time value for money and the specific risks of the business. An impairment loss is recognised if the recoverable amount is lower than the carrying amount.

When, subsequently, a loss on assets, other than goodwill, disappears or decreases, the carrying amount of the asset or of the cash-generating unit is increased up to the new estimate of the recoverable amount and cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment is recognised immediately in the income statement.

### **3.f. Investments in associates and joint ventures (IAS 28)**

By joint venture (or "jointly controlled companies") we mean companies over which the group has joint control and has rights to their net assets. Joint control means sharing control of an agreement, which only exists when unanimous consent of all parties sharing control is required for decisions regarding the JV's key activities.

By associates we mean companies over which the group exercises a significant influence. Significant influence is the power to participate in deciding the investee's financial and management policies without having control or joint control over it.

Investments in associates and joint ventures are measured using the equity method. Applying this method, these investments are initially recognised at cost, allocating to their carrying amount the fair value of the assets acquired and the liabilities assumed, as well as any goodwill emerging from the difference between the cost of the investment and the group's interest on the acquisition date; this goodwill is not tested separately for impairment. Subsequently, the cost of the investment is adjusted to recognise the group's share of the total profit or loss realised by the associate or joint venture since the acquisition date. The components of the comprehensive income statement relating to these investments are shown as specific items of the group's other comprehensive income. Dividends received from investments in associates and joint ventures are accounted for as an adjustment to the carrying amount of the investment. Profits and losses deriving from transactions between the group and an associate or joint venture are only recognised in the consolidated financial statements to the extent of any non-controlling interests in the associate or joint venture. The financial statements of associates and joint ventures are presented for the same accounting period as the group, making adjustments, if necessary, to ensure compliance with the group's accounting policies.

After applying the equity method, the group assesses whether it is necessary to recognise an impairment loss on the investment in the associate or joint venture. If there are signs that the investment has suffered an impairment, the group calculates the amount of the impairment by means of a specific test by which the recoverable amount of the investments is determined.

### **3.g. Other investments (IFRS 9)**

Investments in companies where the parent does not exercise a significant influence are treated according to IFRS 9, i.e. classified as other investments and measured at fair value.

### **3.h. Assets held for sale (IFRS 5)**

Non-current assets (or disposal groups) whose carrying amount will be recovered mainly by selling them, rather than continuing to use them in the business, are classified as held for sale and shown separately from the other assets and liabilities in the statement of financial position. For this to take place, the asset (or disposal group) has to be available for immediate sale in its current state, subject to conditions that are customary for the sale of such assets (or disposal groups) and the sale must be highly probable within a year. If these criteria are met after the reporting date, the non-current asset (or disposal group) is not classified as held for sale. However, if these conditions are met after the reporting date, but before the financial statements are approved for publication, appropriate disclosure is made in the notes. Non-current assets (or disposal groups) classified as held for sale are

recognised at the lower of the carrying amount and fair value, net of costs to sell; the corresponding prior year figures in the statement of financial position are not reclassified.

A discontinued operation is a part of the company that has been sold or classified as held for sale, and:

- it is an important line of business or geographical area of business;
- it is part of a coordinated plan to dispose of an important line of business or geographical area of business
- it is a subsidiary that was bought exclusively for the purpose of reselling it.

The results of discontinued operations, whether they have been disposed of or classified as held for sale and are being disposed of, are shown separately in the income statement, net of tax. The corresponding figures if any, where present, are reclassified and shown separately in the income statement, net of tax, and in the statement of cash flows for comparative purposes.

### **3.i. Income taxes (IAS 12)**

Current taxes are recognised on the basis of a realistic estimate of taxable income in accordance with the current tax laws of the country in which the company is based, taking into account any applicable exemptions and tax assets that may be claimed.

Deferred taxes are determined on the basis of temporary taxable or deductible differences between the carrying amount of assets and liabilities and their value for tax purposes and are classified as non-current assets and liabilities.

A deferred tax asset is recognised if sufficient taxable income is likely to be generated against which the temporary deductible difference can be used.

The carrying amount of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that sufficient taxable income will be obtained to take advantage of this deferred asset.

### **3.j. Inventories (IAS 2)**

Inventories are recognised at the lower of their acquisition, determined according to the weighted average cost method, and their estimated realisable amount.

### **3.k. Equity**

The ordinary shares are shown at their nominal amount. The costs directly attributable to the issue of new shares are deducted from equity reserves, net of any related tax benefit.

Treasury shares are classified in a specific item that is deducted from reserves; any subsequent sale, reissue or cancellation does not have any impact on the income statement, but exclusively on equity.

The hedging reserve is generated when there are changes in the fair value of derivatives that have been designated as "cash flow hedges" or as a "hedge of a net investment in a foreign operation" for IAS 39 purposes.

The portion of profit or loss deemed "effective" is initially recognised in equity and then recognised in the income statement in the periods and in the manner in which the hedged items flow to the income statement, or at the time of the subsidiary is sold.

If a subsidiary draws up its financial statements in a currency other than the group's reporting currency, the subsidiary's financial statements are translated, classifying any translation differences in a specific reserve. When the subsidiary is sold, the reserve is transferred to the income statement, showing the profits or losses deriving from the disposal.



"Retained earnings" include the accumulated results and transfers from other equity reserves when freed from any restrictions.

This item also contains the cumulative effect of changes in accounting standards or any corrections of errors that are accounted for in accordance with IAS 8.

### **3.l. Provisions for risks and charges (IAS 37)**

The provisions for risks and charges represent probable liabilities of an uncertain amount and/or maturity deriving from past events whose occurrence will entail a financial outflow. Provisions are only made when there is an effective obligation, legal or implicit, towards third parties which requires the use of economic resources and when a reliable estimate of the obligation can be made. The amount recognised as a provision represents the best estimate of the expense required to fulfil the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The effect of changes in estimate are charged to profit or loss.

Where it is expected that the financial outflow for the obligation will occur beyond the normal payment terms and the effect of discounting would be significant, the provision is represented by the present value of the future payments needed to settle the obligation, calculated at a risk-free nominal rate.

Contingent assets and liabilities (i.e. assets and liabilities that are possible, or not recognised because they cannot be reliably quantified) are not accounted for. However, adequate disclosure is given in the notes.

### **3.m. Revenues from contracts with customers (IFRS 15)**

The group adopted IFRS 15 from 1 January 2018. For information on the accounting method applied to contracts with customers, see paragraph 6 which also describes the effects deriving from the first adoption of IFRS 15. The standard therefore establishes a new revenue recognition model, which applies to all contracts with customers, except for those that fall under the scope of other IAS/IFRS as leases, insurance contracts and financial instruments. The basic steps for the recognition of revenue, according to the new model, are:

- Identification of the contract with the customer;
- Identification of the performance obligations of the contract;
- Determination of the transaction price;
- Allocation of the price to the performance obligations of the contract;
- Revenue recognition method when the entity satisfies each performance obligation.

### **3.n. Employee benefits (IAS 19)**

Employee benefits paid after termination of employment and other long-term benefits are subject to actuarial valuation. Under this method, the liabilities recognised represent the present value of the obligation adjusted for any actuarial gains or losses not accounted for.

Budget Law 296/2006 made important changes to the rules governing post-employment benefits (TFR) by introducing the possibility for employees to transfer their accrued TFR from 1 January 2007 onwards to selected pension schemes. The TFR accrued up to 31 December 2006 for employees who exercised the option, while remaining within the scope of defined-benefit plans, was determined with actuarial techniques, but excluding the actuarial/financial components for the trend in future wages and salaries.



In accordance with the standard, the group measures and recognises the notional cost represented by stock options and stock grants in the profit or loss under personnel expense and distributes them over the period of accrual of the benefit, with the contra-entry in a specific equity reserve.

The cost of the option is determined at the time the plan is assigned using specific models and multiplied by the number of options that can be exercised in the reference period, the latter being determined by means of appropriate actuarial variables.

Similarly, the obligation deriving from attribution of phantom stock options is determined with reference to the fair value of the options on the assignment date and recognised in the income statement in personnel expenses, based on the vesting period; unlike for stock options and stock grants, the contra-entry recognised under liabilities (other personnel provisions) and not as an equity reserve. Until this liability is extinguished, the fair value is recalculated at each reporting date and on the actual disbursement date, recognising all changes in fair value to profit or loss.

### **3.o. Derivatives (IAS 32 and 39)**

The group uses derivative financial instruments to hedge its exposure to exchange rate and interest rate risks. Embedded derivatives are separated from the primary contract and accounted for separately when certain criteria are met.

The group uses derivatives mainly to hedge risks, with particular reference to fluctuations in interest rates, exchange rates and commodity prices. The classification of a hedging derivative is formally documented, attesting to the "effectiveness" of the hedge.

Financial derivatives are initially measured at fair value; any attributable transaction costs are recognised to profit or loss for the year when they are incurred. After initial recognition, derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

- a "fair value hedge", the effects of which are recognised in the profit or loss;
- a "cash flow hedge", where the change in fair value is recognised directly in equity for the "effective" part, while the "non-effective" part is recognised in the profit or loss;
- a "hedge of a net investment in a foreign operation", where any change in fair value is recognised directly in equity for the "effective" part, while the "ineffective" part is recognised in the income statement.

Hedge accounting ceases prospectively if it is expected that the planned transaction will no longer occur, the hedge no longer meets the criteria required for hedge accounting, the hedging instrument expires or is sold, ceased or exercised, or the designation is revoked. If the planned transaction is no longer expected to occur, the balance accumulated in equity is immediately reclassified to profit or loss for the year.

### **3.p. Translation of foreign currency items (IAS 21)**

The group's reporting currency is the euro, the currency in which the financial statements are prepared and published. Group companies draw up their financial statements in the functional currency.

Transactions in currencies other than the functional currency are initially recognised at the exchange rate on the transaction date.

At the reporting date, monetary assets and liabilities denominated in currencies other than the functional currency are translated at the exchange rate at that date.

Non-monetary items measured at historical cost in foreign currency are translated at the exchange rate ruling at transaction date.

Non-monetary items recognised at fair value are translated at the exchange rate ruling on the date that the carrying amount is determined.

The assets and liabilities of group companies with functional currencies other than the euro are measured according to the following methods:

- assets and liabilities are translated at the exchange rate at the reporting date;
- costs and revenue are translated at the average exchange rate for the year.

Exchange gains or losses are recognised directly in a specific equity reserve.

On disposal of a foreign investment, the accumulated exchange gains or losses recorded in the equity reserve are recognised in profit or loss.

### **3.q. Earnings per share (IAS 33)**

Basic earnings per share are determined by dividing the profit for the year (i.e. the profit from continuing operations and the profit or loss from discontinued operations) attributable to the ordinary shareholders of the parent by the weighted average number of ordinary shares of the parent in circulation during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account all potential ordinary shares, for example deriving from the possible exercise of assigned stock options and stock grants that could have a dilutive effect. Treasury shares are not included in the calculation.

### **3.r. Business combinations (IFRS 3)**

Business acquisitions are recognised using the purchase and acquisition methods in compliance with IFRS 3, on the basis of which the acquisition cost is equal to the fair value on the date of exchange of the assets transferred and the liabilities incurred or assumed. Any transaction costs relating to business combinations are recognised in profit or loss for the year they are incurred.

Contingent consideration is included as part of the transfer price of the net assets acquired and is measured at fair value at the acquisition date. Similarly, if the business combination agreement envisages the right to receive repayment of certain elements of the price if certain conditions are met, this right is classified as an asset by the purchaser.

Any subsequent changes in this fair value are recognised as an adjustment to the original accounting treatment, but only if they are the result of more or better fair value information and if this takes place within twelve months of the acquisition date; all other changes must be recognised in profit or loss.

In the event of a step acquisition of a subsidiary, the non-controlling interest previously held (recognised up to that point according to IFRS 9 – Financial Instruments: Recognition, IAS 28 – Investments in Associates or IFRS 11 – Joint Arrangements – Accounting for acquisitions of interests in joint operations) is treated as if it had been sold and repurchased on the date that control is acquired. The investment is therefore measured at its fair value on the date of "transfer" and any gains and losses resulting from this measurement are recognised in profit or loss. Moreover, any amount previously recognised in equity as "Other comprehensive gains and losses", is reclassified to the income statement following the sale of the asset to which it refers. The goodwill (or income in the case of badwill) arising on conclusion of the deal with subsequent acquisition is calculated as the sum of the price paid for the acquisition of control, the value of non-controlling interests (measured using one of the methods permitted by the financial reporting standard) and the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.

The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition are accounted for at their fair value on the date of acquisition. Any positive difference between the acquisition cost and the fair value of the group's share of net assets acquired is recognised as goodwill or, if negative, in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-

producing assets whose ability to generate income and cash flow is constantly monitored for impairment.

The accounting treatment of the acquisition of any further investment in companies already controlled are considered transactions with shareholders and therefore any differences between acquisition costs and the carrying amount of the non-controlling interests acquired are recognised in equity attributable to the owners of the parent. Likewise, sales of non-controlling interests not involving loss of control do not generate gains/losses in the income statement, but rather changes in equity attributable to the owners of the parent.

The initial allocation to assets and liabilities as mentioned above, using the option given in IFRS 3, can be performed on a provisional basis by the end of the year in which the transaction is completed; the values provisionally assigned on initial recognition can be adjusted within twelve months of the date on which control was acquired.

### 3.s. Use of estimates

The preparation of these financial statements and notes in accordance with IFRS requires management to make estimates and assumptions which affect the amounts of assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities at the reporting date.

The estimates and assumptions used are based on experience and other factors considered relevant. The actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the year in which the amendment is made if the review only affects that year, or in subsequent years if the amendment affects both the current and future years.

The items mainly affected by this use of estimates are goodwill, deferred taxes, provisions for risks and charges, employee benefit obligations and the fair value of financial instruments, stock options and stock grants, as well as estimating the duration of leases that provide for renewal options.

See the notes on these specific items for further details.

## 4. Financial instruments

The group has applied IFRS 9 Financial Instruments since 1 January 2018 (date of first-time adoption), with the exception of the provisions on hedge accounting as it continues to apply the provisions of IAS 39 for all hedges already designated in hedge accounting at 31 December 2017.

Impairment losses of financial assets are presented in a separate item in the statement of profit or loss and other comprehensive income.

### Recognition and measurements

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised on the trading date, i.e. when the group becomes a contractual party in the financial instrument.

Except for trade receivables that do not contain a significant element of financing, financial assets are initially recognised at fair value, increased or decreased in the case of financial assets or liabilities not measured at FVTPL by the transaction costs directly attributable to the acquisition or issue of the financial assets. At the time of initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

The following table shows the breakdown of the categories of financial assets and liabilities shown in the financial statements and their classification:

Category of financial assets and liabilities	Classification
<b>NON-CURRENT ASSETS</b>	
OTHER EQUITY INVESTMENTS	FVTOCI
OTHER ASSETS	Amortised cost
OTHER FINANCIAL ASSETS	FVTPL
<b>CURRENT ASSETS</b>	
TRADE RECEIVABLES	Amortised cost, expected loss for counterparty risk
OTHER ASSETS	Amortised cost, expected loss for counterparty risk
LOAN ASSETS	Amortised cost, expected loss for counterparty risk
SECURITIES	FVTPL
OTHER FINANCIAL ASSETS	FVTPL
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk
<b>NON-CURRENT LIABILITIES</b>	
BONDS	Amortised cost
OTHER LOANS AND BORROWINGS	Amortised cost
LEASE LIABILITIES	Cost
<b>CURRENT LIABILITIES</b>	
BANK LOANS AND BORROWINGS	Amortised cost
BONDS	Amortised cost
OTHER LOANS AND BORROWINGS	Amortised cost
LEASE LIABILITIES	Cost
TRADE PAYABLES	Amortised cost

#### Classification and subsequent measurement – Financial assets

At the time of initial recognition, a financial asset is classified based on its measurement: amortised cost; fair value through other comprehensive income (FVOCI) - debt security; FVOCI – equity instrument; or at fair value through profit or loss for the year (FVTPL).

Financial assets are not reclassified after their initial recognition, unless the group changes its business model for managing financial assets. In this case, all of the financial assets involved are reclassified on the first day of the first year following the change in business model.

A financial asset must be measured at amortised cost if both of the following conditions are met and the asset is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective to hold financial assets in order to collect their contractual cash flows; and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

A financial asset has to be measured at FVOCI if both the following conditions are met and it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved by collecting contractual cash flows, as well as by selling the financial assets; and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

At the time of initial recognition of an equity instrument not held for trading purposes, the group can make the irrevocable decision to show subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. At the time of initial recognition, the group can irrevocably designate the financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise result from measuring financial assets at amortised cost or at FVOCI.

The group assesses the objective of the business model in which the financial asset is held at portfolio level, as it best reflects the way in which the asset is managed and the information communicated to management. This information includes:

- the criteria and objectives of the portfolio and the practical application of these criteria, including, among others, if management's strategy is based on obtaining interest income from the contract, on maintaining a specific interest rate profile, on aligning the duration of the financial assets to that of the related liabilities or on the expected cash flows or on collecting the cash flows by selling the assets;
- the methods for assessing the performance of the portfolio and the methods of communicating the performance to group executives with strategic responsibilities;
- the risks that affect the performance of the business model (and of the financial assets held in it) and the way in which these risks are managed;
- the methods of remuneration of company executives (for example, if the remuneration is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, value and timing of sales of financial assets in previous years, the reasons for selling and expectations regarding future sales.

Transfers of financial assets to third parties as part of transactions that do not result in derecognition are not considered sales for the purposes of evaluating the business model, in line with the group maintaining these assets in the financial statements.

Financial assets that meet the definition of financial assets held for trading or whose performance is measured on the basis of their fair value are measured at FVTPL.

Financial assets measured at FVTPL are subsequently measured at fair value. Net gains and losses, including dividends or interest received, are recognised in profit or loss for the year.

Financial assets valued at amortised cost are subsequently valued at amortised cost in accordance with the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year, as are any gains or losses on derecognition.

Debt securities measured at FVOCI are subsequently measured at fair value. Interest income calculated in accordance with the effective interest rate method, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year. Other net gains and losses are recognised in other comprehensive income. At the time of derecognition, the gains or losses accumulated in other comprehensive income are reclassified to profit or loss for the year.

Equities measured at FVOCI are subsequently measured at fair value. Dividends are recognised in profit or loss for the year, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss for the year.

## Classification and subsequent measurement – Financial liabilities:

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified under FVTPL when it is held for trading, represents a derivative or is designated as such at the time of initial recognition.

FVTPL financial liabilities are measured at fair value and any changes, including interest expense, are recognised in profit or loss for the year. Other financial liabilities are subsequently measures at amortised cost using the effective interest method. Interest expense and exchange gains and losses are recognised in profit or loss for the year, as are any gains or losses on derecognition.

## Derecognition - Financial assets and liabilities

Financial assets are derecognised from the financial statements when the contractual rights to the cash flows deriving from them expire, when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits deriving from ownership of the financial asset are transferred or when the group does not transfer or substantially maintain all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.

The group is involved in transactions that involve the transfer of assets recognised in its statement of financial position, but retains all or substantially all the risks and benefits deriving from the asset transferred. In these cases, the transferred assets are not derecognised.

The group proceeds with derecognition of a financial liability when the obligation specified in the contract has been settled or cancelled, or if it has expired. The group also derecognises a financial liability if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on the modified contractual terms.

The difference between the carrying amount of the extinguished financial liability and the amount paid (including assets not represented by liquid assets transferred or liabilities assumed) is recognised in profit or loss for the year.

## Impairment losses

The group recognises provisions for expected losses on receivables relating to:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- assets deriving from contracts.

The group assesses the provisions at an amount equal to the expected losses throughout the entire life of the receivable, except as indicated below, for the following twelve months:

- debt securities with a low credit risk at the reporting date; and
- other debt securities and bank current accounts for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly after initial recognition.

Loss allowances on trade receivables and assets deriving from contracts are always measured at an amount equal to the expected losses throughout the life of the receivable or asset.

To establish whether the credit risk on a particular financial asset has increased significantly since initial recognition in order to estimate expected losses, the group takes into consideration information that is reasonable and provable, but also relevant and available without excessive cost or

effort. Quantitative and qualitative information and analyses are included, based on the group's historical experience, credit assessment and forward-looking information.

Expected losses on long-term loans are the losses expected on assets deriving from all possible defaults during the entire estimated life of a financial instrument.

Expected losses on assets at 12 months are the losses expected on assets deriving from possible defaults within 12 months from the reporting date (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be taken into consideration in evaluating expected credit losses is the maximum contractual period during which the group is exposed to credit risk.

At each reporting date, the group assesses whether the financial assets measured at amortised cost and the debt securities measured at FVOCI have suffered impairment. A financial asset is 'impaired' when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Observable data relating to the following events constitute evidence that the financial asset has deteriorated:

- significant financial difficulties on the part of the issuer or debtor;
- a breach of contract, such as a default or a deadline not met for more than 90 days;
- restructuring of a debt or an advance by the group on terms that the group would not otherwise have taken into consideration;
- there is a likelihood that the debtor will declare bankruptcy or some other financial restructuring procedure;
- the disappearance of an active market for that financial asset due to financial difficulties.
- 

Loss allowances on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is accrued through profit or loss for the year and recognised in other comprehensive income.

### Fair value

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.

The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required.

For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the group has access (mark to market).

A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.

If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the group will assess the fair value using another valuation technique, such as:



- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- valuations performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (mark to model). The group uses valuation models (mark to model) that are generally accepted and used by the market. The models include techniques based on the discounting of future cash flows and estimates of volatility (if there is an optional component); these are subject to revision from time to time in order to ensure consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile.

As a further guarantee of the objectivity of valuations derived from valuation models, the group uses fair value adjustments (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the valuation models used and counterparty risk.

The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, a price quoted in an active market is available, the other valuation techniques cannot be used.

As regards the determination of the fair value of derivative contracts, default risk, which is reflected through credit value adjustments (CVA) and debit value adjustments (DVA), has to be taken into consideration.

The fair value hierarchy has three levels:

- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly);
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use inputs that can not be observed in active markets. The valuations are based on various inputs, not all directly derived from observable market parameters, and involve estimates and assumptions on the part of the evaluator.

## 5. Change in accounting policies, estimates and errors

The criteria for making estimates and measurements are reviewed periodically, based on historical experience and other factors such as expectations of possible future events that are reasonably likely to take place.

If first-time adoption of a standard affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rules, the nature of the change, a description of the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.

If a voluntary change of a standard affects the current or previous year, the effect is shown by indicating the nature of the change, the reasons for adopting the new standard, and the amount of any adjustments to years prior to those being presented.

In the event of a new standard or interpretation issued but not yet in force, an indication is given of the fact, its potential impact, the name of the standard or interpretation, the date on which it will come into force and the date of its first-time adoption.



A change in accounting estimates involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement. Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting year after they were discovered.

## 6. Adoption of new standards, interpretations and amendments

### **Standards, amendments and interpretations of IFRS applied from 1 January 2019:**

The following standards, amendments and interpretations were applied for the first time by the group with effect from 1 January 2019.

#### **Application of IFRS 16**

IFRS 16 introduces a single accounting model for leases in the lessees' financial statements according to which the group, as lessee, has recognised an asset that represents the right of use of the underlying asset and a liability that reflects the obligation to pay lease liabilities. The group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Therefore, the information relating to 2018 has not been restated - that is, it is presented in accordance with IAS 17 and the related interpretations.

The details of the impacts deriving from the adoption of the aforementioned standard are indicated below.

Previously, the group used to establish whether it was a lease or contained a lease according to IFRIC 4 at the beginning of the contract. Now, in compliance with IFRS 16, the group assesses whether the contract is a lease or contains a lease on the basis of the new definition of leases. In fact, according to IFRS 16 the contract is a lease or contains a lease if, in exchange for a consideration, it transfers the right to use an identified asset for a certain period of time.

On the date of FTA of IFRS 16, the group decided to apply the practical expedient that allowed companies not to re-examine which existing transactions constituted a lease. IFRS 16 was applied only to contracts that had previously been identified as a lease. Contracts that had not been identified as leases by applying IAS 17 and IFRIC 4 were not reassessed to establish whether or not they represented a lease under the new rules. The IFRS 16 definition of lease was therefore only applied to contracts signed or amended on or after 1 January 2019.

At the beginning of the contract or at the date of re-evaluation of a contract that contains a lease component, the group assigns the consideration to each lease and non-lease component as priced in the contract.

Therefore, as a lessee, the group previously classified leases as operating or finance leases depending on whether the leases substantially transfer all of the risks and rewards of ownership. In accordance with IFRS 16, the group recognises in the statement of financial position the right-of-use assets and lease liabilities for most of the leases.

However, the group has decided not to recognise the right-of-use assets and lease liabilities relating to assets of modest value. The group therefore records the lease payments due for these leases as a cost on a straight-line basis over the duration of the lease contract.

The group presents the right-of-use assets that do not satisfy the definition of property investments as right-of-use assets. The carrying amount by nature of the the right-of-use assets are set out below. The group shows lease liabilities under "lease liabilities" in the statement of financial position.

The group recognises the right-of-use asset and lease liability on the commencement date of the lease. The right-of-use asset is initially measured at cost, then subsequently at cost net of accumulated depreciation and impairment, and adjusted to reflect any increase in the lease liability.

The group measures the lease liability at the present value of the lease payments not paid on the commencement date, discounting them at its incremental borrowing rate.

The lease liability is subsequently increased by the interest that accrues on this liability and decreased by the lease payments made; it is also remeasured in the event of a change in future lease payments deriving from a change in the index or rate used, in the event of change in the amount that the group expects to pay as a guarantee on the residual value or when the group changes its assessment depending on whether or not it exercises a purchase, extension or termination option.

The group has estimated the lease term of certain contracts in which it acts as a lessee and which provide for renewal options. The group's assessment as to whether or not the option is likely to be exercised affects the estimate of the lease term, which in turn significantly impacts the lease liabilities and right-of-use assets that are recognised.

On the date of FTA, in the case of contracts classified as operating leases according to IAS 17, the lease liabilities were determined at the present value of the residual lease payments, discounted at the group's incremental borrowing rate at 1 January 2019.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any advance or accumulated lease payments.

The group has used the following practical expedients in applying IFRS 16 to contracts previously classified as operating leases under IAS 17.

- It applied the exemption from recognition of right-of-use assets and lease liabilities on contracts with a duration of less than 12 months.
- It also excluded the initial direct costs from the measurement of right-of-use assets at the date of FTA as they were considered immaterial.
- It used the experience gained in calculating the duration of leases containing extension or termination options.

The group leases some assets that were classified as finance leases according to IAS 17. For such leases, the carrying amount of a right-of-use asset and lease liability at 1 January 2019 is equal to the carrying amount of the leased asset and of the lease liability according to IAS 17 immediately prior to that date.

On FTA of IFRS 16 to contracts previously classified as finance leases, the group recognised right-of-use assets and lease liabilities of € 87.3 million and € 70.1 million, respectively.

During the initial application phase of IFRS 16, the group recognised additional right-of-use assets and lease liabilities of € 386.9 million and € 392.8 million, respectively. The differences are recognised under retained earnings.

The following table summarises the effects of the application of IFRS 16 at 1 January 2019.

## STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.12.2018	01.01.2019	Difference
Property, plant and equipment	822,169	734,900	(87,269)
Right-of-use assets	--	474,139	474,139
Deferred tax assets	99,000	100,195	1,195
Other assets – current assets	79,017	78,991	(26)

LIABILITIES	31.12.2018	01.01.2019	Difference
Equity attributable to the owners of the parent	936,148	932,469	(3,679)
Non-controlling interests	512,727	509,927	(2,800)
Other loans and borrowings – non-current liabilities	327,303	269,639	(57,664)
Lease liabilities - non-current liabilities	--	412,211	412,211
Provisions for risks and charges (non-current liabilities)	43,023	47,565	4,542
Other loans and borrowings - Current liabilities	144,874	132,419	(12,455)
Lease liabilities - current liabilities	--	50,734	50,734
Other current liabilities	211,108	208,258	(2,850)

As a result of this different classification of lease instalments, the group's consolidated income statement for 2019 recorded greater gross operating profit (EBITDA) of € 51.7 million, an increase in depreciation of € 46.3 million, an increase in finance expense of € 12.2 million and a decrease in taxes of € 1.7 million. The impact on the group's profit for the year was negative for € 2 million.

The impact of IFRS 16 on the consolidated net financial debt of the group at 31 December 2019 was negative for € 800.1 million (€ 737.3 for the KOS group, € 62.3 million for the Sogefi group and € 0.6 million for the merged subsidiary CIR S.p.A.). Note that adoption of the new standard has not had any effect on how covenants are calculated.

### Other International Financial Reporting Standards

- Amendment to IFRS 9 "Prepayment Features with Negative Compensation" (published on 12 October 2017 and endorsed by the European Commission in March 2018). The amendment proposes that financial assets with prepayment features that may result in negative compensation are eligible to be measured at amortised cost or at fair value through other comprehensive income, depending on the business model adopted.
- IFRIC 23 – Uncertainty over income tax treatments. In June 2017, the IASB published IFRIC 23 - Uncertainty over income tax treatments. The interpretation clarifies the application of recognition and measurement requirements under IAS 12 Income Taxes when there is uncertainty about the tax treatment.
- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017). The amendment clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture, which, in substance, form part of the net investment in the associated company or joint venture. The amendment also provides that IFRS 9 should be applied to these interests before the application of IAS 28, so that the entity does not take into account any adjustments to the long-term interests deriving from application of IAS 28.

- "Annual Improvements to IFRS 2015-2017 Cycle" (published on 12 December 2017). The changes introduced, which are part of the normal process of rationalisation and clarification of international financial reporting standards, concern the following: IAS 12 Income Taxes, IAS 23 Borrowing Costs and IFRS 3 Business Combination.
- Amendment IAS 19 - "Plan Amendment, Curtailment or Settlement" (published in February 2018). The amendment clarifies that the actuarial assumptions used in measuring the net liabilities/assets for defined benefits have to be updated any time there is a change in the defined benefit plan, so the cost related to current employment contracts and the net interest of the period between the date of the plan change and the reporting date must be calculated on the basis of the new actuarial assumptions.
- Materiality: the definition of materiality in IAS 1 has been improved in order to identify whether a piece of information, a transaction or an event has to be disclosed to users of the financial statements. The amendments are effective from 1 January 2020.
- Amendments to the Conceptual Framework. In March 2018, the IASB published a new version of the "Conceptual Framework for Financial Reporting" or, more briefly, the "Conceptual Framework", which replaced the previous document published in 2001, and partially revised in 2010. The Conceptual Framework explains the basic concepts underlying financial reporting in accordance with IFRS. Its purpose is to help the IASB in developing new accounting standards, preparers of financial statement in defining an accounting principle in the absence of a specific IFRS and all those who have to understand and interpret IFRS [CF.SP1.1]. The new Conceptual Framework is not subject to endorsement by the European Union, because it is a document that only provides a conceptual framework for IFRS and is not in itself an accounting standard. The amendments are effective from 1 January 2020.

These amendments/improvements/interpretations did not have significant effects for group companies.

#### **Standards, amendments and interpretations of IFRS not yet endorsed by the European Union:**

At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following amendments and standards. The Directors are currently assessing the potential effects of these amendments on the group's consolidated financial statements.

- Business: the definition of a business according to IFRS 3 has been clarified, providing specific guidelines for its correct application, distinguishing the acquisition of a "business" from the acquisition of a "group". The amendments are effective from 1 January 2020.
- IFRS 17 – Insurance contracts. The date on which it will come into force has been postponed to 1 January 2022.

Classification of liabilities as current and non-current (amendment to IAS 1).

## Statement of financial position

### 7. Non-current assets

#### 7.a. Intangible assets

2019	Opening position			Changes for the period							Closing position			
(in thousands of euro)	Original cost	Accumulated amortisation and write downs	Balance at 31/12/2018	Acquisitions	Business combinations and disposals		Exchange rate gains (losses)	Other changes	Assets held for sale	Net disposals	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2019
					increases	decreases				cost				
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development costs														
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	271,129	(188,594)	82,535	16,229	--	--	1,444	7,781	--	(98)	(32,662)	282,512	(207,283)	75,229
Industrial patents and intellectual property rights	61,876	(34,585)	27,291	203	--	--	--	7	(451)	--	(3,314)	50,945	(27,209)	23,736
Concessions, licences, trademarks and similar rights	109,440	(86,246)	23,194	3,073	142	--	4	722	(9,594)	(48)	(2,800)	46,780	(32,087)	14,693
Titles and trademarks	453,999	(21,514)	432,485	--	--	--	--	--	(432,485)	--	--	--	--	--
Frequencies	91,242	--	91,242	--	--	--	--	--	(91,242)	--	--	--	--	--
Goodwill	630,735	(179,833)	450,902	66,305	34,936	--	260	--	(32,929)	--	(615)	696,783	(177,924)	518,859
Assets under development and payments on account														
- purchased	5,146	--	5,146	3,752	--	--	(8)	(4,103)	(7)	(2)	--	4,778	--	4,778
- produced internally	16,233	(3,277)	12,956	12,057	--	--	2	(3,235)	--	--	(2,825)	24,963	(6,008)	18,955
Other	28,718	(14,629)	14,089	711	2	--	10	549	--	--	(1,243)	26,516	(12,398)	14,118
Total	1,668,554	(528,714)	1,139,840	102,330	35,080	--	1,712	1,721	(566,708)	(148)	(43,459)	1,133,313	(462,945)	670,368

Intangible assets rose from € 1,139,840 thousand at 31 December 2018 to € 670,368 thousand at 31 December 2019. The balance of the "Assets held for sale" column refers to the change in the consolidation method of the GED group in application of IFRS 5. The increase in "Goodwill" refers to the acquisition of the Charleston group by the KOS group.

## AMORTISATION RATES

<i>Description</i>	<i>%</i>
Capitalised development costs	20-33%
Industrial patents and intellectual property rights	4-50%
Concessions, licences, trademarks and similar rights	16-33.33%
Other intangible assets	16-33.33%

## GOODWILL

The decrease in the balances at 31 December 2019 refers to the reclassification of the assets belonging to the GEDI group in application of IFRS 5, mainly relating to "Titles and Trademarks" (€ 432,485 thousand) and "Frequencies" (€ 91,242 thousand).

### Goodwill:

<i>(in thousands of euro)</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Media sector (GEDI group)	--	32,929
Healthcare sector (KOS group)	390,222	289,336
Automotive sector (Sogefi group)	128,637	128,637
<b>Total</b>	<b>518,859</b>	<b>450,902</b>

The decrease in the year in the Media sector refers to the reclassification of the assets belonging to the GEDI group in application of IFRS 5.

The change in the year in the Healthcare sector refers to the acquisitions made during the year by the KOS group. In particular, the impact of the acquisition of the Charleston group amounted to € 88,801 thousand.

Goodwill has been allocated to the CGUs that were identified in the same way that management of the parent operates and manages its assets, based on the group's business segments. The above chart shows the allocation of goodwill by group business segment.

In order to test goodwill for impairment, the recoverable amount of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to its value in use or its fair value less costs of disposal, also considering - where applicable in the specific circumstances - the guidelines contained in the document entitled "Impairment testing of goodwill in the context of crises in financial markets and the real economy: guidelines" issued by the O.I.V. (Italian Valuation Board).

Value in use was calculated by discounting to present value future cash flows generated by the unit in the production phase and at the time of its disposal, using an appropriate discount rate (discounted cash flow or DCF method). More specifically, in accordance with what is required by international financial reporting standards, to test the value, cash flows were considered without taking into account inflows and outflows generated by financial management or any cash flows relating to tax management. The cash flows to be discounted are therefore distinctive, unlevered operating cash flows (as they refer to individual units).

The cash flows of the single operating units are extrapolated from the budgets and forecasts made by the management of the operating units concerned and approved by the respective Boards of Directors. These plans were then processed on the basis of economic trends recorded in previous years and using the forecasts made by leading analysts on the outlook for the respective markets and more in general on the trend of each business segment.

To give a fair estimate of a CGU's value in use, we had to assess its expected future cash flows, expected changes in the amount and timing of these flows, the discount rate to be used and any other risk factors affecting the unit.

In order to determine the discount rate to be used, we calculated the weighted average cost of capital (WACC) invested at sector level, regardless of the financial structure of the individual company or subgroup.

The values used to calculate WACC (taken from leading financial sources) were the following:

- return on risk-free assets: for the KOS group this is equal to the twelve-month average of the rates of return on Italian 10-year debt securities (source: Bloomberg) and for the Sogefi group the annual average of 10-year debt securities of the main countries in which the group operates, weighted on the basis of revenue;
- market equity risk premium: measured as a long-term historical yield differential between equity and bonds on mature financial markets;
- Unlevered Beta: determined with reference to the Beta of comparable companies in the sector;
- financial structure: the structure of the financial sources used for weighting the cost of capital was determined on the basis of a market debt ratio ( $D/D+E$ ), taken from a sample of comparable companies in the sector;
- dimensional risk premium: based on long-term observations of the yield premium associated with an investment in the risk capital of a medium-sized company (source: Ibbotson Associates)

The fair value less costs to dispose of an asset or group of assets (e.g. a CGU) is best expressed in the price established by a "binding sale agreement in an arm's length transaction", net of any direct disposal costs. If this information is not available, the fair value net of costs to sell is determined in relation to the following trading prices, in order of importance:

- the current price traded on an active market;
- prices for prior similar transactions;
- the estimated price based on information obtained by the company.

The recoverable amount of each asset is estimated with reference to the higher of its fair value less costs of disposal or its value in use, if both are available.

#### Summary of the results of impairment testing

The impairment test carried out on the goodwill allocated to the Healthcare and Automotive sectors ascertained that there are no impairment losses.

However, considering that the recoverable amount is determined on the basis of estimates, the group cannot guarantee that goodwill will not be impaired in future years. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.

The tests performed in relation to each sector are described below.

#### Automotive sector (SOGEFI group)

The goodwill allocated to the Automotive sector, which coincides with the Sogefi group, amounts to about € 128.6 million. The group has therefore allocated all of the goodwill to a single "Automotive" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs based on the approach taken by management of the Sogefi sub-holding.

In particular, consistent with the prior year and for the sole purpose of determining value in use, the operating cash flows generated by the Sogefi group have been considered, consistent with the approach taken by the management of the sub-holding, in relation to the three business units that came from acquisitions:

- fluid filters;
- air filters and cooling;
- car suspension components.

The recoverability of the amounts recorded was checked by comparing the carrying amount attributed to the CGUs, including goodwill, with their recoverable amount, identified with the value in use, represented by the present value of the future cash flows estimated to derive from the continuous use of the CGUs' assets and by their terminal value.

The Unlevered DCF method was used, based on projections made in the 2020 budget (approved by the Board of Directors on 27 January 2020) and, for subsequent years, the projections included in the 2021-2024 Plan (adjusted to exclude the expected benefits of future projects and reorganisations), as approved by the Board of Directors on 24 February 2020. The budget and the plan have been developed taking account of forecasts for the automotive industry, as elaborated by the most important sector sources.

The discount rate based on the weighted average cost of capital is equal to 8.82%.

The discount rate used for the cash flows was the same for all three business units. In fact, the risk is considered the same based on the fact that the divisions in question operate in the same sector and with the same type of customer.

Lastly, the terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% (which is considered prudent when compared with the forecasts for the performance of the automotive sector developed by the most important sources in the sector as of 31 December 2019) and an operating cash flow based on the last year of the multi-year business plan (2024), adjusted to project a stable situation into perpetuity, using the following main hypotheses:

- an overall balance between investments and depreciation/amortisation (considering a level of investment necessary to "maintain" the business);
- a zero change in working capital.

The average cost of capital is the result of calculating the weighted average of the cost of debt (based on benchmark rates plus a spread) and the cost of the company's own capital, based on parameters for a sample of companies operating in the European automotive components sector that are considered Sogefi's peers by the main financial analysts who follow this business segment. The figures used in calculating the average cost of capital were as follows:

- financial structure of the sector: 30.8%;
- levered beta of the sector: 1.29%;
- risk-free rate: 3.5% (annual average for 10-year risk-free government bonds of the countries in which the group operates, weighted on the basis of revenue);
- risk premium: 6.3% (average risk premium, calculated by an independent source, of the main countries in which the group operates, weighted on the basis of revenue);
- spread on the cost of debt: 3% (estimated on the basis of the 2020 budget).

In terms of sensitivity analyses, we would point out that:

- the impairment test reaches a level of breakeven with the following discount rates (leaving the growth rate of the terminal value at 2% and all the other assumptions of the plan unchanged): 13.6% for the Filtration CGU, 24.8% for the Air and Cooling CGU and 11.0% for the Car Suspension Components CGU;
- the impairment test reaches a level of break even with a significant reduction in operating profit in the explicit period of the plan which also has a knock-on effect on the terminal value (leaving all



the other assumptions of the plan unchanged): -43% for the Filtration CGU, -72.5% for the Air and Cooling CGU and -27.1% for the Car Suspension Components CGU;

- the impairment test reaches a level of break even with the following rates of reduction ( "g- rate") in the terminal value (keeping all the other assumptions of the plan the same): -5.4% for the Filtration CGU, -53% for the Air and Cooling CGU and -0.8% for the Car Suspension Components CGU.

A second level impairment test has also been carried out on the company as a whole to verify the recoverability of the carrying amount of all the CGUs and of the corporate costs/assets of the business as a whole, not allocated at CGU level. The second level impairment test was made by considering the sum of the cash flows of each CGU, already tested during the first level impairment test, including not only the assessment of unallocated costs, but also the cash flows of the Industrial Vehicles Suspension Components and the Precision Springs CGUs. This involved estimating the present value of corporate costs (not allocated to the CGUs); the present value of these costs has been considered as a reduction in the overall value of the company and has been estimated using after-tax cash flows and an after-tax discount rate similar to those used in the first level test. For the projection of corporate costs and the determination of cash flows, we have used criteria in line with those applied for the first level impairment test in terms of the explicit forecast period and in terms of growth (beyond the explicit forecast period).

The test carried out on the present value of projected cash flows shows that the Sogefi CGU has a value in use that exceeds its carrying amount; no impairment loss was therefore recognised.

#### Healthcare (KOS group)

The goodwill allocated to the Healthcare sector, which corresponds substantially to the KOS group, amounts to € 390 million. The group has therefore allocated all of the goodwill to a single "Healthcare" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs according to the approach taken by management of the KOS sub-holding. In order to check for any impairment in the value of goodwill and other non-current assets shown in the consolidated financial statements, the value in use of the CGUs to which the goodwill had been allocated at the KOS group level was calculated.

In application of the methodology set out in IAS 36, the KOS group identified the CGUs which represent the smallest identifiable group of assets able to generate broadly independent cash flows in its own consolidated financial statements. To identify the CGUs we took into account the organisational structure, the type of business and the ways in which control is exercised over the operations of the CGUs.

The group operates in two different strategic business areas, namely Long-Term Care and Hospital Management, which in turn are broken down into three operating segments; Long-Term Care (Rehabilitation and management of care homes), Acute (Hospital of Suzzara) and Diagnostics and Cancer Cure (under the Medipass brand). The CGUs identified by KOS's management at the sub-holding level are the following:

- in the "Long-Term Care" sector, CGUs have been identified at regional and national level and in particular: Lombardy, Piedmont, Tuscany, Liguria, Emilia Romagna, Veneto, Marche, Lazio, Trentino, Campania, Umbria and Germany;
- in the "Acute" sector, the only CGU to be identified is Ospedale di Suzzara;
- in the "Diagnostics and Cancer Cure" sector (reference brand: Medipass), they have been identified by country: Italy, UK and India.

The recoverability of the amounts recognised was checked by comparing the carrying amount attributed to the CGUs, including goodwill, with their recoverable amount, identified with the value in use, represented by the present value of the future cash flows estimated to derive from the continuous use of the CGUs' assets and by their terminal value.

More specifically, the chart shows the values of goodwill allocated to the operating sectors by the management of KOS and any other items of goodwill allocated to the Healthcare sector that constitute a single CGU at group level. Although goodwill was also tested at a lower level, the level of allocation of the "Healthcare" CGU is considered significant because it confirms the strategic enterprise vision that CIR's Directors have with regard to the specific characteristics of the sector that the KOS group belongs to.

<i>(in thousands of euro)</i>	<i>31.12.2019</i>
Long Term Care	352,922
Diagnostics and Cancer Cure	35,841
Corporate	516
Additional goodwill allocated to the Healthcare CGU	943
<b>Total</b>	<b>390,222</b>

In developing the impairment test, the most recent forecast data were used relating to the economic-financial evolution based on the projections drawn up in the 2020 budget and, for subsequent years, the forecasts included in the 2021-2024 plan approved by the Board of Directors on 25 February 2020. In calculating the projections, management made various hypotheses based on past experience and expectations regarding the development of the sectors in which the group operates.

To calculate the terminal value we used a growth rate of 1.5% in Italy, 2% in the UK, 1.9% in Germany and 4.2% in India, in line with the average long-term rate of growth in production, the reference sector and the country in which the company operates.

The discount rate used reflects the current market valuations of the cost of money and takes into account the specific risks of the business. This discount rate net of taxation (after-tax WACC) is 5.61% for the activities in Italy, 5.07% for those in the UK, 4.45% for those in Germany and 8.42% for those in India.

The risk-free rate was determined on the basis of the annual average of 10-year government bonds, to which a coefficient of 1.75% was added to take dimensional risk into account.

Over the last few years there have been some legislative measures to reduce public spending, health spending in particular. On the basis of the best information available, the business plan includes the considerations made by KOS's management on these measures; consequently, the estimates made with regard to the recoverability of intangible assets (goodwill, in particular) and property, plant and equipment, consider the effect of these measures on prospective profitability.

The tests performed did not reveal any impairment losses.

Considering that the recoverable amount is determined on the basis of estimates, the group cannot guarantee that goodwill will not be impaired in future years. Given the persistence of the market crisis context, the various factors used in preparing the estimates could be reviewed.

The group set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable amounts (discount rate,

growth rate, terminal value), determining the level of these variables that make the value in use equal to the carrying amount, as shown below:

Long Term Care: the sensitivity analysis elaborated on the first level of the test (Region) shows positive results even with a growth rate of zero and a WACC appreciably higher than the one used in the test on all the regions considered, with the exception of Piedmont, Liguria, Tuscany, Lazio, Veneto, Umbria and Campania, for which the cover turns negative if we use a growth rate (g) of zero.

Diagnostics and Cancer Cure: the sensitivity analysis shows positive results even considering a growth rate of zero and a WACC appreciably higher than that used in the test for all the countries considered in the first level of the test. Further scenarios based on a deterioration in the most sensitive variables are not significant, given that the sector in question operates mainly on the basis of contracts already acquired.

Moreover, in line with the analyses carried out by the KOS sub-holding, the group also set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable amounts (discount rate, growth rate, terminal value).

These analyses, carried out at the testing levels mentioned previously (regions and operating sectors, and therefore at the level of the Healthcare CGU) did not reveal any problems or situations where the carrying amount was significantly higher than the recoverable amount, even using a growth rate of zero and a considerably higher WACC than the one used in the test.

Lastly, it should be noted that the results obtained from the analyses carried out for determining the value in use of the Healthcare CGU have also found broad confirmation from the fair value expressed by industry analysts.

#### **7.b. Property, plant and equipment**

The changes in "Property, plant and equipment" during the year are shown on the next page.

7.b. Property, plant and equipment

2019	Opening position		Balance at 31/12/2018
	Original cost	Accumulated depreciation and write-downs	
(in thousands of euro)			
Land	52,500	(611)	51,889
Buildings used for operating purposes	402,066	(171,477)	230,589
Plant and machinery	975,904	(729,913)	245,991
Industrial and commercial equipment	315,290	(211,068)	104,222
Other assets	316,885	(249,483)	67,402
Assets under construction and payments on account	123,215	(1,139)	122,076
<b>Total</b>	<b>2,185,860</b>	<b>(1,363,691)</b>	<b>822,169</b>

Changes for the year							
Acquisitions	Business combinations and disposals	FTA - IFRS16 01/01/2019	Exchange gains (losses)	Other changes	Assets held for sale	Net disposals	Depreciation and write-downs
	increases	decreases				cost	
882	--	--	(3,503)	(191)	1,004	(6,220)	--
9,563	156	--	(52,424)	(1,380)	11,258	(24,279)	(9,688)
17,629	804	--	(31,170)	(727)	49,039	(36,600)	(564)
16,306	2,563	--	(161)	557	21,362	(925)	(45)
12,882	5,999	--	(11)	225	2,150	(11,538)	(62)
93,477	274	--	--	221	(79,257)	(602)	(1,099)
150,739	9,796	--	(87,269)	(1,295)	5,556	(80,164)	(11,458)

Closing position		
Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2019
44,511	(673)	43,838
302,714	(148,863)	153,851
763,854	(559,725)	204,129
332,342	(233,094)	99,248
204,260	(139,152)	65,108
136,231	(1,437)	134,794
1,783,912	(1,082,944)	700,968

Property, plant and equipment went from € 822,169 thousand at 31 December 2018 to € 700,968 thousand at 31 December 2019. The balance of the "FTA - IFRS 16" column refers to the reclassification made to item 3.d. "Right-of-use assets" on first-time adoption of IFRS 16, relating to finance leases accounted for on the basis of IAS 17 already in existence at 31 December 2018. The balance of the "Assets held for sale" column refers to the change in the consolidation method of the GEDI group in application of IFRS 5. It should be noted that the balances of "Industrial and commercial equipment" and "Assets under construction and payments on account" at 31 December 2019 include the investments made by the Sogefi group in tooling for € 47,870 thousand and € 50,700 thousand respectively.

DEPRECIATION RATES

Description	%
Buildings used for operating purposes	3%
Plant and machinery	10-25%

Other assets:	
- Electronic office equipment	20%
- Furniture and fittings	12%
- Motor vehicles	25%

7.c. Investment property

2019	Opening position			Changes for the period								Closing position		
	Original cost	Accumulated depreciation and write-downs	Net balance 31/12/2018	Acquisitions	Business combinations and disposals	Capitalised financial expense	Exchange gains (losses)	Other changes	Net disposals	Depreciation and write-downs		Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2019
					increases	decreases				cost				
(in thousands of euro)														
Buildings	28,543	(10,718)	17,825	--	--	--	--	--	1	(1,445)	(752)	25,635	(10,006)	15,629
Total	28,543	(10,718)	17,825	--	--	--	--	--	1	(1,445)	(752)	25,635	(10,006)	15,629

Investment property has gone from € 17,825 thousand at 31 December 2018 to € 15,629 thousand at 31 December 2019, mainly because of depreciation for the year and a disposal made by the KOS group.

The market value is considerably higher than the carrying amount.

DEPRECIATION RATES

Description	%
Buildings	3%

Starting from 2018, following the negative results of the subsidiary Sogefi Filtration do Brasil Ltda and the weak performance of the South American car market, the property, plant and equipment and intangible assets of the automotive sector were tested for impairment. This test was carried out following the procedure required by IAS 36, comparing the carrying amount of the assets concerned (€ 11.4 million for property, plant and equipment, including right of use assets) with the value in use given by the present value of the estimated future cash flows that are expected to derive from continuous use of the assets being tested for impairment.

The Unlevered DCF method was used. The subsidiary took into consideration the expected trends resulting from the 2020 budget and the subsequent 5 years (it is estimated that this period corresponds to the residual useful life of the assets) approved by its Advisory Board on 21 February 2020.

The budget and the plan have been prepared taking into account the performance forecasts of the automotive sector in Brazil, elaborated by the most important sources of the sector, and providing for a recovery of revenue and margins to return to the levels of profitability seen prior to the crisis.

The discount rate used, based on the weighted average cost of capital, is equal to 14.03%.

The average cost of capital is the result of calculating the weighted average of the cost of debt (based on benchmark rates plus a spread) and the cost of the company's own capital, based on parameters for a sample of companies operating in the European automotive components sector that are considered Sogefi's peers by the main financial analysts who follow this business segment. The values used to calculate WACC (taken from leading financial sources) were the following:

- financial structure of the sector: 30.8%
- levered beta of the sector: 1.29%
- risk-free rate: 7.88% (annual average of Brazilian 10-year government bonds)
- risk premium: 8.16% (average risk premium, calculated by an independent source)
- cost of debt: 9.4%

The test carried out on the present value of the projected cash flows shows that property, plant and equipment have a value in use that is lower than their carrying amount. A write-downs of € 1.4 thousand was therefore recognised.

#### 7.d. Right-of-use assets

2019	Opening position		
	Original cost	Accumulated depreciation and write-downs	Balance at 01/01/2019
<i>(in thousands of euro)</i>			
Land	3,503	--	3,503
Buildings used for operating purposes	459,173	(26,972)	432,201
Plant and machinery	70,863	(39,536)	31,327
Industrial and commercial equipment	1,195	(975)	220
Other assets	6,998	(110)	6,888
Assets under construction and payments on account	--	--	--
<b>Total</b>	<b>541,732</b>	<b>(67,593)</b>	<b>474,139</b>

Changes for the year						
Increases	Business combinations and disposals		Exchange rate gains (losses)	Other changes	Net disposals	Depreciation and write-downs
	increases	decreases				
--	--	--	--	(1,580)	--	--
27,341	418,263	--	647	1,334	(438)	(45,549)
97	--	--	83	(3,484)	--	(4,848)
68	--	--	--	324	--	(162)
2,327	812	--	(58)	(365)	(49)	(2,914)
--	--	--	--	--	--	--
<b>29,833</b>	<b>419,075</b>	<b>--</b>	<b>672</b>	<b>(3,771)</b>	<b>(487)</b>	<b>(53,473)</b>

Closing position		
Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2019
1,923	--	1,923
906,063	(72,264)	833,799
49,014	(25,839)	23,175
1,767	(1,317)	450
9,607	(2,966)	6,641
--	--	--
<b>968,374</b>	<b>(102,386)</b>	<b>865,988</b>

The right-of-use assets amount to € 865,988 thousand at 31 December 2019 and refer to the KOS group for € 804,573 thousand, the Sogefi group for € 60,923 thousand and the Parent Company CIR S.p.A. for € 492 thousand. On the date of first-time adoption (FTA) of IFRS 16 (01.01.2019) right-of-use assets were recognised for € 474,139 thousand. During the year, net increases of € 29,833 thousand were recognised, offset by depreciation and write-downs of € 53,473 thousand. The balance of the increases for business combinations refers to the acquisition of the Charleston group by the KOS group.

## 7.e. Equity-accounted investees

(in thousands of euro)

<b>2019</b>	Balance at 31.12.2018	Increases (Decreases)	Impairment losses	Dividends	Pro-rata share of		Other changes	Balance at 31.12.2019
					Loss	Profit		
Persidera S.p.A.	91,418	--	--	--	--	--	(91,418)	--
Editoriale Libertà S.p.A.	13,291	--	--	--	--	--	(13,291)	--
Editoriale Corriere di Romagna S.r.l.	3,389	--	--	--	--	--	(3,389)	--
Altrimedia S.p.A.	739	--	--	--	--	--	(739)	--
Le Scienze S.p.A.	88	--	--	--	--	--	(88)	--
Devil Peak S.r.l.	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	808	--	--	--	--	43	--	851
Huffingtonpost Italia S.r.l.	446	--	--	--	--	--	(446)	--
<b>Total</b>	<b>110,179</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>43</b>	<b>(109,371)</b>	<b>851</b>

The balance of the "Other changes" column refers to the change in the consolidation method of the GEDI group in application of IFRS 5.

Following the change in the consolidation method of the GEDI group in application of IFRS 5, the share of profit for the year 2018, equal to € 725 thousand, of the investments held by the GEDI group was reclassified to profit or loss from "Share of profit (loss) of equity-accounted investees" to "Profit (loss) from discontinued operations".

It should also be remembered that, after obtaining the necessary regulatory authorisations, GEDI Gruppo Editoriale S.p.A. completed the sale of its 30% of Persidera to F2i TLC 2 and Ei Towers on 2 December 2019. The total consideration for GEDI, originally equal to € 74.5 million, was increased by interest accrued from 1 August 2019 for € 0.9 million and was paid net of dividends already collected for € 4.3 million. The transaction resulted in a € 71.1 million reduction in the net financial indebtedness of the GEDI group, while it led to a negative effect on the income statement of € 16.5 million resulting from the write-down of the investment by € 16.9 million, based on IFRS 5, to adjust the carrying amount to the fair value, increased by € 0.4 million for the costs to sell and decreased by € 0.9 million for the interest accrued on the consideration from 1 August.

## 7.f. Other investments

(in thousands of euro)	31.12.2019	31.12.2018
Radio Italia S.p.A.	--	6,500
Ansa S. Coop. A.R.L.	--	2,173
D-Share S.r.l.	--	1,000
Other	1,863	2,852
<b>Total</b>	<b>1,863</b>	<b>12,525</b>

The decrease in the item is attributable to the change in the consolidation method of the GEDI group in application of IFRS 5.

The carrying amounts correspond to the cost, reduced where necessary for impairment, and are essentially considered to be equivalent to their fair value.



### 7.g. Other assets

"Other assets" at 31 December 2019 had a balance of € 45,860 thousand, compared with € 50,534 thousand at 31 December 2018, and were mainly made up of:

- € 6,257 thousand (€ 9,247 thousand at 31 December 2018) of unsecured and mortgage-backed financial assets held by CIR International S.A. The decrease in the balance is attributable to the write-down made during the year of € 2,090 thousand and collections for a total of € 900 thousand;
- € 3,194 thousand relating to guarantee deposits;
- € 20,644 thousand due from the Treasury to the Sogefi group, mainly relating to tax assets for research and development activities of the French subsidiaries.

The balance at 31 December 2018 included € 1,159 thousand relating to the GEDI group.

### 7.h. Other financial assets

"Other financial assets" at 31 December 2019 amounted to € 54,746 thousand (€ 61,980 thousand at 31 December 2018) and mainly referred to investments in private equity funds and non-controlling interestes. The fair value measurement of these investments led to net losses in the income statement for € 5,465 thousand recognised under item 14.e "Fair value gains or losses on financial assets". During the year, gains for € 3,166 thousand (€ 11,293 thousand in 2018) were realised and recognised in item 14.c. "Gains from trading securities" and 14.d "Losses from trading securities".

At 31 December 2019, the residual commitment for investment in private equity funds stood at € 20.5 million.

### 7.i. Deferred tax assets and liabilities

The amounts relate to taxes resulting from deductible temporary differences and from benefits deriving from tax losses of prior year, which are deemed to be recoverable over a reasonable time horizon.

The breakdown of "Deferred tax assets and liabilities" by type of temporary difference is as follows:

(in thousands of euro)	2019		2018	
	Total temporary differences	Tax effect	Total temporary differences	Tax effect
<b>Deductible temporary differences from:</b>				
- Impairment losses – current assets	21,013	5,332	62,250	12,282
- Impairment losses – non-current assets	66,358	16,231	80,805	21,284
- reversals of impairment losses - current liabilities	30,555	8,743	24,138	7,179
- reversals of impairment losses - employee benefit obligations	69,617	15,223	74,592	16,913
- reversals of impairment losses - provisions for risks and charges	26,691	7,198	61,898	15,539
- reversals of impairment losses - long-term borrowings	--	--	--	--
- impairment losses - financial instruments	520	135	1,542	379
- tax losses from previous years	51,500	12,636	96,296	25,424
<b>Total deferred tax assets</b>	<b>266,254</b>	<b>65,498</b>	<b>401,521</b>	<b>99,000</b>
<b>Taxable temporary differences from:</b>				
- reversals of impairment losses - current assets	19,548	5,165	8,241	2,018
- reversals of impairment losses - non-current assets	163,053	40,839	584,452	159,435
- impairment losses - current liabilities	49,924	11,092	38,637	7,396
- measurement of employee benefit obligations	(1,758)	(466)	2,983	715
- impairment losses - provisions for risks and charges	448	134	448	133
- reversals of impairment losses - financial instruments	--	--	2	1
<b>Total deferred tax liabilities</b>	<b>231,215</b>	<b>56,764</b>	<b>634,763</b>	<b>169,698</b>
<b>Net deferred taxes</b>		<b>8,734</b>		<b>(70,698)</b>

"Deferred tax assets" and "Deferred tax liabilities" at 31 December 2018 included € 39,228 thousand and € 114,905 thousand respectively relating to the GEDI group.

Deferred tax assets have been recognised, at operational sub-group level, with reference to their recoverability based on the related business plans.

Prior-year losses not used in the calculation of deferred taxes relate to CIR International for approximately € 372.3 million, which can be carried forward without any limit, and to other group companies for € 104.4 million. No deferred tax assets were calculated for these losses because present conditions are such that there is no certainty that they can be recovered through future taxable income.

The changes in "Deferred tax assets and liabilities" during the year were as follows:

2019 (in thousands of euro)	Balance at 31.12.2018	Use of deferred taxes from prior years	Deferred taxes generated in the year	Exchange differences and other changes	Assets held for sale	Balance at 31.12.2019
<b>Deferred tax assets:</b>						
- income statement	79,867	(3,142)	6,116	--	(39,228)	43,613
- equity	19,133	(268)	781	2,239	--	21,885
<b>Deferred tax liabilities:</b>						
- income statement	(146,834)	306	(3,018)	--	113,630	(35,916)
- equity	(22,864)	337	--	404	1,275	(20,848)
<b>Net deferred taxes</b>	<b>(70,698)</b>	<b>(2,767)</b>	<b>3,879</b>	<b>2,643</b>	<b>75,677</b>	<b>8,734</b>

## 8. Current assets

### 8.a. Inventories

Inventories can be broken down as follows:

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
Raw materials, supplies and consumables	58,624	76,890
Work in progress and semi-finished products	14,915	16,586
Finished products and goods	46,276	40,742
Payments on account	170	--
<b>Total</b>	<b>119,985</b>	<b>134,218</b>

"Raw materials, supplies and consumables" at 31 December 2018 included € 14,902 thousand relating to the GEDI group.

The amount of inventories is shown net of any write-down carried out in past years or in the current year and takes into account the degree of obsolescence of finished products, goods and supplies.

### 8.b. Trade receivables

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
Customers	241,152	420,279
Subsidiaries	610	--
Associates	--	690
<b>Total</b>	<b>241,762</b>	<b>420,969</b>

"Trade receivables" at 31 December 2018 included € 186,447 thousand relating to the GEDI group. The increase in this item, on a like-for-like basis, essentially refers to the acquisitions made in 2019 by the KOS group, the impact of which was € 8,393 thousand.

"Customers" are interest-free and have an average maturity in line with market conditions.

Trade receivables are shown net of any write-downs that take credit risk into account.

In 2019, provisions for loss allowances were made for a total of € 4,558 thousand compared with € 6,809 thousand in 2018.

"Subsidiaries" refer to amounts due to CIR S.p.A. from GEDI Gruppo Editoriale S.p.A.

"Associates" at 31 December 2018 referred to amounts due from companies consolidated as part the GEDI group using the equity method.

### 8.c. Other assets

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
Associates	105	105
Tax assets	36,389	35,381
Other	24,409	43,531
<b>Total</b>	<b>60,903</b>	<b>79,017</b>

"Tax assets" and "Other" at 31 December 2018 included € 6,617 thousand and € 22,218 thousand respectively relating to the GEDI group.

#### 8.d. Loan assets

"Loan assets" fell from € 25,773 thousand at 31 December 2018 to € 23,135 thousand at 31 December 2019. This item includes € 6,803 thousand which relates to the fair value measurement of hedge accounting cross currency swap contracts entered into by the Sogefi group for the purpose of hedging the interest rate and currency risk on the private bond placement of USD 115 million; it also includes € 9,175 thousand due to the KOS group by factoring companies for non-recourse assignments.

At 31 December 2018 the item included € 814 thousand relating to the GEDI group.

#### 8.e. Securities

This item consists of the following categories of securities:

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
Investment funds and similar funds	14,028	14,202
Other securities	10,494	10,867
<b>Total</b>	<b>24,522</b>	<b>25,069</b>

At 31 December 2019, the item amounted to a total of € 24,522 thousand (€ 25,069 thousand at 31 December 2018) and included units held in investment funds by CIR Investimenti S.p.A. for € 14,028 thousand (€ 14,202 thousand at 31 December 2018) and a structured security for € 10,494 thousand (€ 10,867 thousand at 31 December 2018).

The fair value measurement of "Securities" led to a gain in the income statement of € 1,387 thousand.

#### 8.f. Other financial assets

This item totals € 264,278 thousand (€ 276,880 thousand at 31 December 2018) and refers for € 43,075 thousand (€ 37,920 thousand at 31 December 2018) to investments in hedge funds and redeemable shares in asset management companies held by CIR International S.A. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.

The fair value measurement of these funds involved a gain in the income statement of € 5,470 thousand. During the year, gains for € 1,541 thousand (€ 2,783 thousand in 2018) were realised and recognised under item 14.c "Gains from trading securities".

This item also includes € 221,203 thousand (€ 238,960 thousand at 31 December 2018) for whole-life insurance and capitalisation policies arranged with leading insurance companies by CIR Investimenti S.p.A., with yields linked to separate managed insurance funds and, in some cases, to unit-linked funds. The net yield during the year came to € 2,938 thousand (€ 3,377 thousand in 2018). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in a gain in the income statement of € 2,263 thousand.

#### 8.g. Cash and cash equivalents – Bank loans and borrowings

"Cash and cash equivalents" went from € 244,469 thousand at 31 December 2018 which included € 77,279 thousand relating to the GEDI group, to € 308,100 thousand at 31 December 2019.

"Bank loans and borrowings" went from € 13,046 thousand at 31 December 2018, which included € 90 thousand relating to the GEDI group, a € 8,455 thousand at 31 December 2019. A breakdown of the changes in these two items is given in the statement of cash flows.

#### 8.h. Assets and liabilities held for sale

On 2 December 2019, CIR and EXOR signed the GEDI Sale Agreement for EXOR to buy CIR's 43.78% investment in GEDI Gruppo Editoriale S.p.A., through a vehicle specifically created for the purpose and wholly owned by EXOR ("**BidCo**"). Completion of the transfer of CIR's investment in GEDI to EXOR is subject to the necessary approvals being given by AgCom and the relevant antitrust authorities. Depending on the timing of the authorisation procedures, the operation is expected to be completed by the end of the first quarter of 2020.

The agreement has given CIR S.p.A. proceeds of € 102,444 thousand. The transaction resulted in the recognition of a € 167,945 thousand write-down of the assets of the GEDI group to adjust their carrying amount to fair value, based on IFRS 5, increased by € 1,803 thousand for the costs to sell. The total of these economic effects is shown for an amount equal to € 169,748 thousand in item 16 "Profit (loss) from discontinued operations".

The income statement, the statement of comprehensive income and the statement of cash flows of the GEDI group at 31 December 2019 and 31 December 2018 as well as the statement of financial position at 31 December 2019 are presented in detail below.

#### CONSOLIDATED INCOME STATEMENT – GEDI GROUP

(in thousands of euro)

	2019	2018
REVENUE	603,508	648,736
<b>OPERATING LOSS</b>	<b>(129,589)</b>	<b>(11,084)</b>
NET FINANCE EXPENSE	(7,829)	(22,791)
MEASUREMENT OF EQUITY-ACCOUNTED INVESTEEES	440	648
INCOME TAXES	24,460	1,092
Profit (loss) from discontinued operations	(16,467)	77
<b>LOSS FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS</b>	<b>(128,985)</b>	<b>(32,058)</b>

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – GEDI GROUP

(in thousands of euro)

	2019	2018
<b>LOSS FROM CONTINUING OPERATIONS</b>	<b>(112,518)</b>	<b>(32,135)</b>
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
ACTUARIAL GAINS (LOSSES)	(1,737)	1,005
TAX EFFECT	419	(241)
<b>SUBTOTAL OF ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>(1,318)</b>	<b>764</b>
<b>SUBTOTAL OF ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>	<b>--</b>	<b>--</b>
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>	<b>(1,318)</b>	<b>764</b>
<b>COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>	<b>(113,836)</b>	<b>(31,371)</b>
<b>COMPREHENSIVE INCOME (EXPENSE) FROM DISCONTINUED OPERATIONS</b>	<b>(16,467)</b>	<b>77</b>
<b>COMPREHENSIVE EXPENSE</b>	<b>(130,303)</b>	<b>(31,294)</b>

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 – GEDI GROUP

(in thousands of euro)

<b>ASSETS HELD FOR SALE</b>	<b>31.12.2019</b>
<b>NON-CURRENT ASSETS</b>	<b>629,313</b>
<b>CURRENT ASSETS</b>	<b>261,219</b>
<b>TOTAL ASSETS HELD FOR SALE</b>	<b>890,532</b>
<b>LIABILITIES HELD FOR SALE</b>	<b>31.12.2019</b>
<b>NON-CURRENT LIABILITIES</b>	<b>194,413</b>
<b>CURRENT LIABILITIES</b>	<b>302,230</b>
<b>TOTAL LIABILITIES HELD FOR SALE</b>	<b>496,643</b>

## STATEMENT OF CASH FLOWS AT 31 DECEMBER 2019 - GEDI GROUP

(in thousands of euro)

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>14,561</b>	<b>21,504</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>61,083</b>	<b>(4,878)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(101,626)</b>	<b>(2,904)</b>
<b>INCREASE (DECREASE) IN NET CASH &amp; CASH EQUIVALENTS OF CONTINUING OPERATIONS</b>	<b>(25,982)</b>	<b>13,722</b>
<b>OPENING CASH FLOW/ NET CASH &amp; CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>--</b>	<b>--</b>
<b>OPENING NET CASH &amp; CASH EQUIVALENTS</b>	<b>77,189</b>	<b>63,467</b>
<b>CLOSING NET CASH &amp; CASH EQUIVALENTS</b>	<b>51,207</b>	<b>77,189</b>

The following table shows the fair value adjustment of the assets that make up the discontinued operation which have been reclassified to "*Profit (loss) from discontinued operations*". In application of IAS 36, the fair value adjustment involved "Intangible assets", "Property, plant and equipment" and "Right-of-use assets".

(in thousands of euro)

<b>ASSETS HELD FOR SALE</b>	<i>Financial statements of GEDI group</i>	<i>Fair value adjustment</i>	<i>Consolidated fin. statements of CIR</i>
<b>NON-CURRENT ASSETS</b>	<b>629,313</b>	<b>(167,945)</b>	<b>461,368</b>
INTANGIBLE ASSETS	435,569	(130,060)	305,509
PROPERTY, PLANT AND EQUIPMENT	73,158	(21,845)	51,313
RIGHT-OF-USE ASSETS	53,717	(16,040)	37,677
EQUITY-ACCOUNTED INVESTEEs	17,891	--	17,891
OTHER ASSETS	10,169	--	10,169
DEFERRED TAX ASSETS	38,809	--	38,809
<b>CURRENT ASSETS</b>	<b>261,219</b>	<b>--</b>	<b>261,219</b>
INVENTORIES	15,919	--	15,919
TRADE RECEIVABLES	173,042	--	173,042
OTHER ASSETS	20,840	--	20,840
CASH AND CASH EQUIVALENTS	51,418	--	51,418
<b>TOTAL ASSETS HELD FOR SALE</b>	<b>890,532</b>	<b>(167,945)</b>	<b>722,587</b>

**The following table summarises the amounts reclassified under “Profit (loss) from discontinued operations” in the consolidated income statement of the CIR group at 31 December 2019.**

<i>(in thousands of euro)</i>	31 December 2019	
Loss for the year including non-controlling interests of the GEDI group	A	(128,985)
Adjustment of carrying amounts to fair value	B	(167,945)
Costs to sell	C	(1,803)
<b>Loss from discontinued operations</b>	<b>D=A+B+C</b>	<b>(298,733)</b>
of which:		
Loss attributable to the owners of the parent		(136,742)
Loss attributable non-controlling interests		(161,991)

At 31 December 2018, this item included the assets and liabilities of the Fraize plant, of the French subsidiary Sogefi Air & Cooling SAS, classified as "Assets held for sale" and sold during the first half of 2019. For more details, see note 16 “Loss from discontinued operations”.

## 9. Equity

### 9.a. Share capital

The share capital remained unchanged with respect to the previous year at € 397,146,183.50 (no. 794,292,367 shares with a nominal amount of € 0.50 each).

At 31 December 2019 the company held 153,017,459 treasury shares (19.2646% of the share capital) for a total value of € 210,177 thousand, compared with 150,113,881 shares (18.8991% of the share capital) for a total value of € 207,343 thousand at 31 December 2018. The net increase was caused by the purchase of 3,156,400 shares less the exercise of stock grants involving 252,822 shares.

In application of IAS 32, treasury shares held by the parent are deducted from total equity.

The share capital is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

Note that for a period of five years from 29 April 2019, the Board of Directors was authorised to increase the share capital on one or more occasions by a maximum of € 500 million on one or more occasions (nominal amount) and by a further maximum of € 11 million (nominal amount) in favour of employees of the parent and its subsidiaries and parents.

The Board of Directors also has the right for a period of five years from 29 June 2019, the date of registration in the Companies Register of the Extraordinary Shareholders' Meeting resolution, to issue, on one or more occasions, convertible bonds, also in foreign currency, if permitted by law, with a corresponding increase in share capital up to a maximum of € 500 million.

Regarding stock option plans and stock grants, at 31 December 2019 there were 17,951,443 options outstanding, corresponding to an equivalent number of shares.

The "Stock option and stock grant reserve" refers to the notional cost of the incentives assigned to employees and approved after 7 November 2002.

The company's controlling shareholder is CIR S.p.A. - Compagnie Industriali Riunite (formerly Cofide - Gruppo De Benedetti S.p.A.) with registered office in via Ciovassino 1 - Milan.

## 9.b. Reserves

The changes and breakdown of "Reserves" are as follows:

<i>(in thousands of euro)</i>	<i>Share Premium reserve</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Trans- lation reserve</i>	<i>Reserve for treasury shares</i>	<i>Stock option and stock grant reserve</i>	<i>Other reserves</i>	<i>Total reserves</i>
<b>Balance at 31 December 2017</b>	<b>40,506</b>	<b>115,969</b>	<b>22,836</b>	<b>(21,526)</b>	<b>69,083</b>	<b>15,468</b>	<b>30,209</b>	<b>272,545</b>
Adjustments on FTA of IFRS 15, net of tax	--	--	--	208	--	--	(6,543)	(6,335)
<b>Balance restated at 31 December 2017</b>	<b>40,506</b>	<b>115,969</b>	<b>22,836</b>	<b>(21,318)</b>	<b>69,083</b>	<b>15,468</b>	<b>23,666</b>	<b>266,210</b>
Adjustments on FTA of IFRS 9, net of tax	--	--	(25,448)	(6,632)	--	--	(1,389)	(33,469)
<b>Balance restated at 1 January 2018</b>	<b>40,506</b>	<b>115,969</b>	<b>(2,612)</b>	<b>(27,950)</b>	<b>69,083</b>	<b>15,468</b>	<b>22,277</b>	<b>232,741</b>
Fair value measurement of cash flow hedges	--	--	868	--	--	--	--	868
Equity transactions	223	--	--	--	5,974	--	--	6,197
Reclassifications	--	--	--	--	--	(3,181)	--	(3,181)
Notional cost of stock options credited	--	--	--	--	--	1,794	--	1,794
Effects of changes in equity attributable to subsidiaries	--	--	(5)	(57)	--	--	3,572	3,510
Actuarial losses	--	--	--	--	--	--	974	974
Translation differences	--	--	--	(6,041)	--	--	--	(6,041)
<b>Balance at 31 December 2018</b>	<b>40,729</b>	<b>115,969</b>	<b>(1,749)</b>	<b>(34,048)</b>	<b>75,057</b>	<b>14,081</b>	<b>26,823</b>	<b>236,862</b>
Adjustments on FTA of IFRS 16, net of tax	--	--	--	--	--	--	678	678
<b>Balance restated at 1 January 2019</b>	<b>40,729</b>	<b>115,969</b>	<b>(1,749)</b>	<b>(34,048)</b>	<b>75,057</b>	<b>14,081</b>	<b>27,501</b>	<b>237,540</b>
Dividends to shareholders	--	--	--	--	--	--	(25,007)	(25,007)
Retained earnings	--	--	--	--	--	--	907	907
Fair value measurement of cash flow hedges	--	--	415	--	--	--	--	415
Equity transactions	347	--	--	--	1,452	--	--	1,799
Reclassifications	--	--	--	--	--	(2,848)	(11)	(2,859)
Notional cost of stock options credited	--	--	--	--	--	1,864	--	1,864
Effects of changes in equity attributable to subsidiaries	--	--	99	64	--	--	1,550	1,713
Actuarial losses	--	--	--	--	--	--	(3,024)	(3,024)
Translation differences	--	--	--	(1,914)	--	--	--	(1,914)
<b>Balance at 31 December 2019</b>	<b>41,076</b>	<b>115,969</b>	<b>(1,235)</b>	<b>(35,898)</b>	<b>76,509</b>	<b>13,097</b>	<b>1,916</b>	<b>211,434</b>

The "Fair value reserve", net of tax, was negative for € 1,235 thousand and refers to the measurement of hedges (€ 1,075 thousand relating to the Sogefi group and € 160 thousand relating to the KOS group).

The "Translation reserve" had a negative balance of € 35,898 thousand at 31 December 2019 with the following breakdown:

<i>(in thousands of euro)</i>	<i>31.12.2018</i>	<i>Increases</i>	<i>Decreases</i>	<i>31.12.2019</i>
Sogefi group	(33,930)	--	(2,115)	(36,045)
KOS group	24	123	--	147
Other	(142)	142	--	--
<b>Total</b>	<b>(34,048)</b>	<b>265</b>	<b>(2,115)</b>	<b>(35,898)</b>



The breakdown of "Other reserves" at 31 December 2019 was as follows:

*(in thousands of euro)*

Reserve for capital increases	3
Statutory reserve	179
Revaluation reserve art. 6 Leg. Decree 38/2005	896
Other	838
<b>Total</b>	<b>1,916</b>

The changes in treasury shares during the year were as follows:

<i>(in thousands of euro)</i>	<i>Number of shares</i>	<i>Amount</i>
Balance at 31 December 2018	150,113,881	207,343
Increases (decreases)	2,903,578	2,834
<b>Balance at 31 December 2019</b>	<b>153,017,459</b>	<b>210,177</b>

"Increases (decreases)" are shown net of the shares assigned on exercising the stock grants.

### 9.c. Retained earnings

The changes in Retained earnings are shown in the "Statement of Changes in Equity".

## 10. Non-current liabilities

### 10.a. Bonds

The breakdown of the item "Bonds" is as follows:

<i>(in thousands of euro)</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Sogefi S.p.A. bond 2013/2023 in USD	43,722	57,197
Sogefi S.p.A. bond 2013/2020	--	24,981
Sogefi S.p.A. convertible bond 2% 2014/2021	93,739	89,574
Sogefi S.p.A. bond 2019/2025	74,610	
KOS S.p.A. Private Placement 2017/2025. 2017/2024	63,625	63,684
KOS S.p.A. Private Placement 2017/2025. 2017/2025	34,975	34,818
<b>Total</b>	<b>310,671</b>	<b>270,254</b>

It should be noted that € 14,624 thousand relating to the Sogefi S.p.A. 2013/2023 bond loan in USD and the Sogefi S.p.A. 2013/2020 bond loan were reclassified to 11.a "Bonds" in current liabilities.

In November 2019, Sogefi S.p.A. issued a bond loan for € 75 million, which was subscribed by three primary institutional investors. This unsecured loan has a total duration of six years, with repayments starting from the second year, and provides for a fixed annual coupon of 3%.

## 10.b. Other loans and borrowings

<i>(in thousands of euro)</i>	<i>31.12.2018</i>	<i>31.12.2018</i>
Collateralised bank loans and borrowings	35,202	36,903
Other bank loans and borrowings	399,358	230,129
Leases	--	57,664
Other	2,330	2,607
<b>Total</b>	<b>436,890</b>	<b>327,303</b>

This item consists of loans to companies of the KOS group for € 303,391 thousand and loans to companies of the Sogefi group for € 133,499 thousand.

On 27 July 2019 KOS S.p.A. entered into a 5-year € 95 million loan with BNP, subsequently syndicated with other credit institutions (Banco BPM, Credit Agricole, IntesaSanpaolo, ING Bank) to finance the acquisition of the German company, Charleston GmbH, which took place on 31 October 2019. In December KOS S.p.A. proceeded to draw down the entire line of credit granted by Mediobanca, for € 35 million, with a duration of 5 years, aimed at supporting the performance of the group's ordinary activities, investments in non-current assets and acquisitions.

"Other bank loans and borrowings" at 31 December 2018 included € 3,507 thousand relating to the GEDI group.

On the FTA of IFRS 16, the item "Leases" was reclassified to item 10.c. "Lease liabilities"

## 10.c. Lease liabilities

The item, amounting to € 786,980 thousand, refers to lease liabilities relating to companies in the KOS group, which operate out of mainly leased properties, for € 734,176 thousand, to companies in the Sogefi group for € 52,481 thousand and to the parent CIR S.p.A. for € 323 thousand.

The item includes lease liabilities amounting to € 57,664 thousand at 31 December 2018 and reclassified under this item on the date of FTA of IFRS 16, from item 10.b. "Other loans and borrowings".

## 10.d. Employee benefit obligations

The details of this item are as follows:

<i>(in thousands of euro)</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Post-employment benefits (TFR)	31,499	77,657
Pension funds and similar obligations	54,407	57,434
<b>Total</b>	<b>85,906</b>	<b>135,091</b>

<i>(in thousands of euro)</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Opening balance	135,091	139,735
Accrual for labour provided during the year	12,571	27,044
Increases for interest	1,459	2,045
Actuarial gains or losses	4,957	(1,085)
Benefits paid	(6,936)	(11,211)
Increases or decreases due to changes in the consolidation scope	887	1,618
Assets held for sale	(54,814)	--
Other changes	(7,309)	(23,055)
<b>Closing balance</b>	<b>85,906</b>	<b>135,091</b>

The main assumptions used for the actuarial estimate of the "Employee benefit obligations" were the following:

Annual technical discount rate	0.37% - 2.10%
Annual inflation rate	1.20% - 3.10%
Annual rate of pay increases	0.50% - 3.60%
Annual rate of TFR increase	2.40%

The balance of "Assets held for sale" refers to the change in the consolidation method of the GEDI group in application of IFRS 5.

"Pension funds and similar obligations" mainly refer to what was accrued at the end of the year by the various foreign companies of the Sogefi group for the liabilities of their various pension funds.

The social security treatments existing in the geographical areas of greatest impact of the group are summarised below:

#### *Great Britain*

In Great Britain, pension plans are mainly private in nature and are entered into with management companies and administered independently of the company.

They are classified as defined benefit plans, subject to actuarial valuation and accounted for in accordance with IAS 19.

With regard to governance of the plan, the directors, made up of representatives of employees, former employees and the employer, must by law act in the interest of the fund and of all the main stakeholders and are responsible for the investment policies of the plan's assets.

As regards the nature of employee benefits, they have the right, on termination of employment, to receive an annual amount calculated by multiplying a portion of the salary received at retirement age for each year of service with the company up to the age of retirement.

#### *France*

In France, pensions are based on State plans and the company's liability is limited to payment of the statutory contributions. In addition to this assistance guaranteed by the State, employees who retire are entitled to additional amounts defined by the collective agreement and determined on the basis of length of service and salary level, to be paid only if the employee reaches retirement age still with the company. These amounts are not paid if the employee leaves the company before reaching retirement age. The additional benefits are recognised as a liability for the company and, in accordance with IAS 19, are considered defined benefit plans subject to actuarial valuation.

In addition to the retirement allowance, a "Jubilee benefit" (calculated in different ways in each of the French subsidiaries) is recognised based on a collective agreement on the occasion of employees reaching 20, 30, 35 and 40 years working for the company. Under IAS 19, the "Jubilee benefit" is considered in the residual category of "Other long-term benefits" and is subject to actuarial valuation; actuarial gains (losses) have to be recognised in the income statement for the year. This bonus, which generally accrues on certain anniversaries of working in the company, is not paid if the employee leaves the company before reaching these thresholds.

## 10.e. Provisions for risks and charges

The breakdown and changes in the non-current part of these provisions are as follows:

<i>(in thousands of euro)</i>	<i>Provision for pending disputes</i>	<i>Provision for restructuring charges</i>	<i>Provision for product warranties</i>	<i>Provision for other risks</i>	<i>Total</i>
Balance at 31 December 2018	12,833	1,545	4,281	24,364	43,023
Accruals for the year	--	1,859	2,974	3,279	8,112
Uses	(1,758)	(1,151)	(2,001)	(2,657)	(7,567)
Exchange gains (losses)	--	--	48	(175)	(127)
Assets held for sale	(8,478)	--	--	(16,051)	(24,529)
Other changes	--	(15)	(624)	10,514	9,875
<b>Balance at 31 December 2019</b>	<b>2,597</b>	<b>2,238</b>	<b>4,678</b>	<b>19,274</b>	<b>28,787</b>

The other changes in the column "Provision for other risks" includes, within the Sogefi group, an amount of € 4,542 thousand relating to the provision for the restoration of rights of use recognised on 1 January 2019 on FTA of IFRS 16.

The breakdown and changes in the current part of these provisions are as follows:

<i>(in thousands of euro)</i>	<i>Provision for pending disputes</i>	<i>Provision for restructuring charges</i>	<i>Provision for other risks</i>	<i>Total</i>
Balance at 31 December 2018	6,173	21,531	59,673	87,377
Accruals for the year	--	--	12,402	12,402
Uses	--	--	(7,136)	(7,136)
Exchange gains	--	--	57	57
Assets held for sale	(6,173)	(21,531)	(7,054)	(34,758)
Other changes	--	--	109	109
<b>Balance at 31 December 2019</b>	<b>--</b>	<b>--</b>	<b>58,051</b>	<b>58,051</b>

The balance of "Assets held for sale" refers to the change in the consolidation method of the GEDI group in application of IFRS 5.

The "Provision for pending disputes" includes risks associated with litigation of a commercial nature and labour suits.

The provision for restructuring charges includes amounts set aside for restructuring plans that have been publicly announced and communicated to the parties concerned and refers in particular to the production reorganisation projects involving companies of the Sogefi group.

The provision for product warranties relates to the Sogefi group.

The provision for other risks is mainly to cover disputes of miscellaneous nature of the various group companies.

In particular, the KOS group is a party to various civil proceedings involving medical and surgical practice, which could lead to compensation orders. The potential liabilities that could derive from pending disputes were assessed and a provision was made in the financial statements to cover the risk of losing these proceedings. Lawsuits and disputes can derive from complex and difficult problems, subject to a varying degree of uncertainty and characterised by differing levels of justice

over a long period of time. This estimate is the result of an articulated process, which involves consultants essentially in the legal and medical field and subjective judgements by the management of the group company. Against the assessments made, there are provisions in the financial statements for disputes against third parties and employees for an amount equal to € 9,602 thousand, of which € 8,105 thousand classified in the current provision for other risks.

In this regard, it should be noted that the doctors operating at KOS group structures have insurance policies in place to partially cover the risks associated with claims for compensation made by patients or their relatives for damages suffered in the event of accidents during their stay at the structure due to the alleged malfunctions of the health services rendered by the structure and by the staff working at these structures.

We would also point out the inclusion of € 27,947 thousand of employee benefit obligations in the provisions for other risks.

## 11. Current liabilities

### 11.a. Bonds

This item, totalling € 40,180 thousand, includes € 24,995 thousand for the current portion of the Sogefi S.p.A. 2013/2020 Bond, € 14,624 thousand for the current portion of the Sogefi S.p.A. Bond 2013/2023 in USD and € 561 thousand for the current portion of the private placements issued by KOS S.p.A.

At 31 December 2018 this item included € 98,884 thousand for the current portion of the GEDI Gruppo Editoriale S.p.A. 2014/2019 bond loan, which was repaid on 9 April 2019.

### 11.b. Other loans and borrowings

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
Collateralised bank loans and borrowings	8,762	8,285
Other bank loans and borrowings	53,898	44,493
Leases	--	12,455
Other loans and borrowings	6,286	79,641
<b>Total</b>	<b>68,946</b>	<b>144,874</b>

This item refers to loans to Sogefi group companies for € 39,162 thousand and loans to KOS group companies for € 29,784 thousand.

"Other bank loans and borrowings" and "Other loans and borrowings" at 31 December 2018 included € 2,842 thousand and € 75,950 thousand respectively relating to the GEDI group.

The item "Leases" was reclassified on FTA of IFRS 16 to item 11.c. "Lease liabilities".

### 11.c. Lease liabilities

The item, amounting to € 72,065 thousand, refers to lease liabilities relating to companies in the KOS group for € 56,857 thousand, to companies in the Sogefi group for € 15,044 thousand and to the parent CIR S.p.A. for € 164 thousand.

The item includes lease liabilities amounting to € 12,455 thousand at 31 December 2018 and reclassified under this item on the date of FTA of IFRS 16, from item 11.b. "Other loans and borrowings".

#### 11.d. Trade payables

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
Parents	--	245
Subsidiaries and joint ventures	--	9
Associates	--	2,229
Suppliers	357,596	456,398
Payments on account	38,701	38,383
<b>Total</b>	<b>396,297</b>	<b>497,264</b>

"Suppliers" refer for € 272,244 thousand to the Sogefi group and for € 84,552 thousand to the KOS group.

"Parents" at 31 December 2018 showed the amounts due from companies of the GEDI group (€ 143 thousand), Sogefi group (€ 66 thousand), KOS group (€ 30 thousand), CIR S.p.A. (€ 5 thousand) and CIR Investimenti S.p.A. (€ 1 thousand) to the parent COFIDE S.p.A.

"Payments on account" mainly include the liabilities recognised by the Sogefi group on FTA of IFRS 15. These liabilities represent the amounts received from customers for the sale of tooling and prototypes that will be recognised in the income statement over the life of the product.

"Trade payables" at 31 December 2018 included € 110,351 thousand relating to the GEDI group, made up as follows:

<i>(in thousands of euro)</i>	31.12.2018
Parents	143
Subsidiaries and joint ventures	9
Associates	2,229
Suppliers	107,824
Payments on account	146
<b>Total</b>	<b>110,351</b>

#### 11.e. Other liabilities

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
Due to employees	61,421	75,681
Tax liabilities	27,977	42,855
Social security liabilities	29,641	50,671
Other	33,351	41,901
<b>Total</b>	<b>152,390</b>	<b>211,108</b>

"Other liabilities" at 31 December 2018 included € 71,074 thousand relating to the GEDI group as follows:

<i>(in thousands of euro)</i>	<i>31.12.2018</i>
Due to employees	24,273
Tax liabilities	11,598
Social security payables	19,223
Other	15,980
<b>Total</b>	<b>71,074</b>

## Income Statement

### 12. Revenue

#### • BREAKDOWN BY BUSINESS SEGMENT

(in millions of euro)	2019		2018		Change %
	amount	%	amount	%	
Automotive components	1,519.2	71.9	1,570.7	74.2	(3.3)
Healthcare	595.2	28.1	544.9	25.8	9.2
<b>Total consolidated revenue</b>	<b>2,114.4</b>	<b>100.0</b>	<b>2,115.6</b>	<b>100.0</b>	<b>(0.1)</b>

#### • BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)							
	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
<b>2019</b>							
Automotive components	1,519.2	73.0	825.5	300.6	159.5	152.3	8.3
Healthcare	595.2	537.7	36.8	--	--	20.7	--
<b>Total consolidated revenue</b>	<b>2,114.4</b>	<b>610.7</b>	<b>862.3</b>	<b>300.6</b>	<b>159.5</b>	<b>173.0</b>	<b>8.3</b>
Percentages	100.0%	28.9%	40.8%	14.2%	7.5%	8.2%	0.4%

(in millions of euro)							
	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
<b>2018</b>							
Automotive components	1,570.7	83.6	830.5	310.3	175.2	164.6	6.5
Healthcare	544.9	520.9	9.5	--	--	14.5	--
<b>Total consolidated revenue</b>	<b>2,115.6</b>	<b>604.5</b>	<b>840.0</b>	<b>310.3</b>	<b>175.2</b>	<b>179.1</b>	<b>6.5</b>
Percentages	100.0%	28.6%	39.7%	14.7%	8.3%	8.4%	0.3%

The types of products marketed by the group and the nature of its business segment mean that revenue flows are reasonably linear throughout the year and are not subject to any particular cyclical phenomena on a like-for-like basis.

### 13. Operating expense and income

#### 13.a. Cost for the purchase of goods

This item went from € 916,019 thousand in 2018 to € 890,170 thousand in 2019. The decrease is mainly attributable to the Sogefi group.

#### 13.b. Cost for services

This item went from € 369,078 thousand in 2018 to € 324,662 thousand in 2019, as can be seen from the following breakdown:



<i>(in thousands of euro)</i>	2019	2018
Provision of services from subsidiaries	228	298
Technical and professional consulting	103,630	92,366
Distribution and transport costs	19,065	20,106
Outsourcing	22,062	18,086
Other	179,677	238,212
<b>Total</b>	<b>324,662</b>	<b>369,068</b>

The decrease in "Costs for services" (€ 51.7 million) essentially reflects the different treatment of the rents following the application of IFRS 16 from 1 January 2019.

"Services from subsidiaries" are in connection with the lease contract with A. Manzoni & C. S.p.A., a company of the GEDI group, to rent the secondary branch offices in via Nervesa 21, Milan. The contract expired on 5 October 2019 and has not been renewed.

### 13.c. Personnel expense

Personnel expense totalled € 556,592 thousand in 2019 (€ 529,516 thousand in 2018).

<i>(in thousands of euro)</i>	2019	2018
Salaries and wages	392,879	366,353
Social security contributions	118,403	113,276
Post-employment benefits	10,921	10,442
Pensions and similar benefits	1,650	4,493
Valuation of stock option and stock grant plans	2,358	2,953
Other expenses	30,381	31,999
<b>Total</b>	<b>556,592</b>	<b>529,516</b>

The group had an average of 16,914 employees in 2019 (16,213 in 2018).

The increase in "Personnel expense" is mainly attributable to the KOS group following the acquisitions made during the year, as well as bringing in-house certain services that were previously bought externally.

### 13.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2019	2018
Services to subsidiaries	500	800
Grants related to income	56	71
Gains on asset disposals	6,979	10,209
Other income	18,875	14,837
<b>Total</b>	<b>26,410</b>	<b>25,917</b>

Revenue from services provided to subsidiaries are the charge-back of fees for strategic and management support and specific administrative, financial and tax assistance provided to GEDI Gruppo Editoriale S.p.A.

"Other income" in the previous year included the amount of € 6,565 thousand relating, within the Sogefi group, to the release of the accruals made in previous years to the "Provision for product warranties" following the favourable closure of certain disputes.

### 13.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2019	2018
Impairment and credit losses	6,737	5,337
Accruals to provisions for risks and charges	8,396	9,149
Indirect taxes	34,282	30,577
Restructuring charges	--	758
Losses on asset disposals	7,009	10,318
Other expenses	20,126	10,109
<b>Total</b>	<b>76,550</b>	<b>66,248</b>

The increase is mainly attributable to the Sogefi group and to the KOS group.

## 14. Finance income and expense

### 14.a. Finance income

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
Interest income on bank accounts	519	369
Interest income on securities	700	700
Other interest income	3,677	4,562
Interest rate derivatives	2,187	2,251
Exchange gains	29	785
Other finance income	--	--
<b>Total</b>	<b>7,112</b>	<b>8,667</b>

### 14.b. Finance expense

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
Interest expense on bank accounts	13,676	11,124
Interest expense on bonds	11,476	11,806
Interest on lease liabilities	13,871	--
Interest expense on lease liabilities	--	2,030
Other interest expense	4,368	8,002
Interest rate derivatives	436	2,645
Exchange losses	765	--
Other finance expense	6,997	5,720
<b>Total</b>	<b>51,589</b>	<b>41,327</b>

#### 14.c. Gains from trading securities

The breakdown of "Gains from trading securities " is as follows:

<i>(in thousands of euro)</i>	2019	2018
Shares - other companies	--	--
Other securities and other gains	6,018	14,167
<b>Total</b>	<b>6,018</b>	<b>14,167</b>

#### 14.d. Losses from trading securities

The breakdown of "Losses from trading securities" is the following:

<i>(in thousands of euro)</i>	2019	2018
Shares - other companies	--	11
Other securities and other losses	1,247	644
<b>Total</b>	<b>1,247</b>	<b>655</b>

#### 14.e. Fair value gains on financial assets

This item is positive for € 3,665 thousand and refers for € 9,120 thousand to the fair value gain on "Securities" and "Other financial assets" classified as current assets, and for € 5,455 thousand to the fair value loss on "Other financial assets", "Other investments" and "Other assets" classified as non-current assets.

### 15. Income tax

Income tax can be broken down as follows:

<i>(in thousands of euro)</i>	2019	2018
Current taxes	25,522	30,364
Deferred taxes	(2,424)	2,753
Income tax from prior years	--	(38)
<b>Total</b>	<b>23,098</b>	<b>33,079</b>

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2019:

<i>(in thousands of euro)</i>	<i>2019</i>
Profit before taxes of continuing operations shown in the financial statements	51,847
Theoretical income tax	12,443
Tax effect of non-deductible costs	3,547
Tax effect of prior year losses which generate deferred tax assets in the current year	(2,549)
Tax effect of prior year losses which did not generate deferred tax assets	(350)
Tax effect on interest rate differentials of foreign companies	157
Non-taxable grants	--
Other	5,234
Income tax	18,482
Average effective tax rate	35.65
Theoretical tax rate	24.0
IRAP and other taxes	4,616
Income taxes from prior years	--
<b>Total taxes as per the consolidated financial statements</b>	<b>23,098</b>

## 16. Loss from discontinued operations

This item, which has a negative balance of € 294,716 thousand, refers for € 128,985 thousand (€ 32,058 thousand in 2018) to the loss made during the year by the GEDI group and for € 167,945 thousand to the write-down made after CIR and Exor signed the agreement to sell the investment in GEDI Gruppo Editoriale S.p.A. to adjust the carrying amount to fair value in accordance with IFRS 5, increased by € 1,803 thousand for costs to sell. The effects on cash flows relating to assets held for sale within the GEDI group, which are negative for € 915 thousand, are shown in a specific item in the statement of cash flows.

The balance at 31 December 2019 also includes the gain of € 4,017 thousand deriving from the Sogefi group's sale of the Fraize production site of the French subsidiary Sogefi Air & Cooling S.A.S., which is dedicated to a non-core business. The location was sold in April 2019. Note that at 31 December 2018 the assets and liabilities relating to the Fraize location were classified as assets and liabilities held for sale. During 2019 all of the information needed to determine the economic effects of this discontinued operation was disclosed. The operating result for 2019, amounting to € 1,574 thousand (€ 1,120 thousand in 2018) and the related capital gain on disposal, net of tax, amounting to € 2,443 thousand, have therefore been recognised in "Loss from discontinued operations".

The effects on cash flows relating to assets held for sale within the Sogefi group, which are positive for € 7,249 thousand, are shown in a specific item in the statement of cash flows.

## 17. Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the net result for the year, the result deriving from continuing operations activities and the profit (loss) from discontinued operations

attributable to the ordinary shareholders by the weighted average number of shares in circulation during the year. Diluted earnings (loss) per share are calculated by dividing the net result for the year, the result deriving from continuing operations and loss from discontinued operations attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation during the year, adjusted for the dilutive effects of options outstanding. Treasury shares are not included in the calculation.

The company has only one category of potential ordinary shares, those deriving from stock option and stock grant plans assigned to employees.

The dilutive effect that these ordinary shares to be issued or assigned to stock option and stock grant plans will have on earnings per share is not significant.

In calculating the average number of options, the average fair value of the shares for each financial period was used. The average fair value of each CIR ordinary share in 2019 was € 0.994 compared with an average fair value of € 1.0406 in 2018.

The following chart provides information on the shares used to calculate basic and diluted earnings per share.

#### Basic earnings (loss) per share

	2019	2018
Profit (loss) for the year attributable to the owners of the parent (in thousands of euro)	(121,682)	12,890
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings (loss) per share (euro)</b>	<b>(0.1897)</b>	<b>0.0198</b>
	2019	2018
Comprehensive income attributable to the owners of the parent (in thousands of euro)	(126,205)	8,691
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings (loss) per share (euro)</b>	<b>(0.1967)</b>	<b>0.0134</b>
	2019	2018
Profit from continuing operations attributable to the owners of the parent (in thousands of euro)	28,749	51,199
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings per share (euro)</b>	<b>0.0448</b>	<b>0.0788</b>
	2019	2018
Profit from continuing operations in the statement of comprehensive income attributable to the owners of the parent (in thousands of euro)	20,713	43,885
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings (loss) per share (euro)</b>	<b>0.0323</b>	<b>0.0675</b>
	2019	2018
Loss from discontinued operations attributable to the owners of the parent (in thousands of euro)	(294,716)	(30,938)
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic loss per share (euro)</b>	<b>(0.4594)</b>	<b>(0.0476)</b>

	2019	2018
Loss from discontinued operations in the statement of comprehensive income attributable to the owners of the parent (in thousands of euro)	(294,716)	(30,938)
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic loss per share (euro)</b>	<b>(0.4594)</b>	<b>(0.0476)</b>

#### Diluted earnings (loss) per share

	2019	2018
Profit for the year attributable to the owners of the parent (in thousands of euro)	(121,682)	12,890
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings (loss) per share (in euro) (*)</b>	<b>(0.1897)</b>	<b>0.0198</b>

	2019	2018
Comprehensive income attributable to the owners of the parent (in thousands of euro)	(126,205)	8,691
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings (loss) per share (in euro) (*)</b>	<b>(0.1967)</b>	<b>0.0133</b>

	2019	2018
Profit from continuing operations attributable to the owners of the parent (in thousands of euro)	28,749	51,199
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings per share (in euro)</b>	<b>0.0447</b>	<b>0.0786</b>

	2019	2018
Profit from continuing operations in the statement of comprehensive income attributable to the owners of the parent (in thousands of euro)	20,713	43,885
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	-	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings per share (in euro)</b>	<b>0.0322</b>	<b>0.0674</b>

	2019	2018
Loss from discontinued operations attributable to the owners of the parent (in thousands of euro)	(294,716)	(30,938)
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted loss per share (in euro) (*)</b>	<b>(0.4594)</b>	<b>(0.0475)</b>

	2019	2018
Loss from discontinued operations in the statement of comprehensive income attributable to the owners of the parent (in thousands of euro)	(294,716)	(30,938)
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted loss per share (in euro) (*)</b>	<b>(0.4594)</b>	<b>(0.0475)</b>

(\*) In the event of a negative result, the diluted loss per share is the same as the basic loss per share.

## 18. Dividends paid

Dividend payments during the first half of 2019 amounted to € 25,007 thousand, being € 0.039 per share.

## 19. Financial risk management: additional disclosures

The CIR group operates in various industry and service sectors, both nationally and internationally, so its business is exposed to various kinds of financial risk, including market risk (currency risk and price risk), credit risk, liquidity risk and interest rate risk.

The group uses hedging derivatives to minimise certain types of risks.

Risk management is carried out by the central finance and treasury function on the basis of policies approved by top management and communicated to the subsidiaries on 25 July 2003.

### 19.a. Market risk

#### Currency risk

As the group operates internationally, Sogefi in particular, it is exposed to the risk that fluctuations in exchange rates could affect the fair value of some of its assets and liabilities. The Sogefi group produces and sells mainly in the Eurozone, but it is subject to currency risk, especially versus the GB pound, Brazilian real, US dollar, Argentine peso, Chinese renminbi and Canadian dollar.

Regarding the translation risk regarding the financial statements of international subsidiaries, the operating companies generally have a high degree of convergence between the currencies of their sourcing costs and their sales revenue, are active both in their own domestic markets and abroad and, if necessary, can arrange funding locally.

The following chart shows the results of the sensitivity analysis for currency risk:

<i>Sensitivity analysis on the EUR/USD exchange rate</i>	<i>31.12.2019</i>		<i>31.12.2018</i>	
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Change in income statement (EUR/thousand)	1,195	(1,089)	1,367	(1,047)
Change in equity (EUR/thousand)	1,195	(1,089)	1,367	(1,047)

### 19.b. Credit risk

Credit risk can be assessed both in commercial terms by customer type, contractual terms and sales concentration, and in financial terms by type of counterparty used in financial transactions. There is no significant concentration of credit risk within the group.

Some time ago adequate policies were put in place to ensure that sales are made to customers of good standing. The counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The group has policies that limit credit exposure to individual financial institutions.

Credit risk can vary depending on the business segment concerned.

In the "Automotive Components" segment there is no excessive concentration of credit risk since the Original Equipment and After-market distribution channels with which it operates are car manufacturers or large purchasing groups without any particular concentration of risk.

The "Healthcare" segment has different concentrations of credit depending on the nature of the activities carried out by the operating companies, as well as by their different target customers, mitigated, however, by the fact that the credit exposure is spread over a large number of counterparties and customers. For example, the concentration of credit is lower than in the case of management of residential care homes, whose revenue derive more than 50% from the number of guests in the facility and whose receivables recorded in the financial statements from public entities



(mainly local health authorities and municipalities) are due from a plurality of subjects. The concentration of credit is greater than in the case of hospital management (or of diagnostic imaging departments in hospitals) due to the fact that almost all of the revenue derives from a single subject. The monitoring of credit risk versus customers includes grouping receivables together by type, age, whether the company is in financial difficulty or is involved in disputes and the existence of legal or insolvency proceedings.

### 19.c. Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient liquidity and negotiable securities and ensuring an adequate supply of credit facilities to ensure adequate funding.

The group systematically meets its maturities and commitments, and such conduct enables it to operate on the market with the necessary flexibility and reliability to maintain a correct balance between funding and deployment of its financial resources.

The companies heading up the three main business segments manage their own liquidity risk directly and independently. Tight control is exercised over the net financial position and its movements in the short, medium and long term. In general, the CIR group follows an extremely prudent financial policy using mainly medium/long-term funding arrangements. Treasury management is centralised for the operating groups.

### 19.d. Interest rate risk (fair value and cash flow)

Interest rate risk depends on fluctuations in market rates, which can cause changes in the fair value of cash flows of financial assets or liabilities.

Interest rate risk mainly concerns long-term bonds issued at a fixed rate, which exposes the group to the risk of fluctuations in their fair value as interest rates change.

In line with the group's risk management policies, the parent and the subsidiaries have entered into various IRS contracts with leading financial institutions over the years in order to hedge interest rate risk on their bond issues and loans and borrowings.

#### *Sensitivity analysis*

A one percent parallel shift in the 3-month Euribor curve on the group's floating rate assets and liabilities would have the following effects:

<i>(in thousands of euro)</i>	31.12.2019		31.12.2018	
Change	-1%	+1%	-1%	+1%
Change in income statement	401	(2,120)	326	(147)
Change in equity	401	(2,120)	326	(147)

*Note that for the KOS group, given that interest rates in 2019 and 2018 reached low levels tending to zero, it was decided only to evaluate the effect of a +1% change in interest rates on the income statement and statement of financial position.*

### 19.e. Derivatives

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

- fair value hedges, if they are subject to price changes in the market value of the underlying asset or liability;
- cash flow hedges, if they are entered into against the risk of changes in cash flows from an existing asset and liability, or from a future transaction;

- hedges of net investments in foreign operations, if they are entered into to protect against foreign currency risk from the translation of subsidiaries' equity denominated in a currency other than the group's functional currency.

For derivatives classified as fair value hedges, gains and losses resulting from both the determination of their market value and the fair value gains or losses of the element underlying the hedge are recognised to the income statement.

For instruments classified as cash flow hedges (interest rate swaps), gains and losses from marking them to market are recognised directly in equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised in the income statement.

For instruments classified as hedges of a net investment in a foreign operation, gains and losses from marking them to market are recognised directly in equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised in the income statement.

On initial recognition under hedge accounting, derivatives are accompanied by an effective hedging relationship which designates the individual derivative as a hedge and specifies its effectiveness parameters in relation to the financial instrument being hedged.

Hedge effectiveness is tested at regular intervals, with the effective part of the relationship being recognised in equity and the ineffective part, if any, in the income statement. More specifically, the hedge is considered effective when fair value gains or losses or changes in the cash flows of the instrument being hedged is "almost entirely" offset by the fair value gains or losses or changes in the cash flow hedges, and when the results achieved are in a range of 80%-125%.

At 31 December 2019, the group had the following derivatives accounted for as hedges, expressed at their notional amount:

*a) interest rate hedge:*

- hedging of KOS group's bank borrowings, with a notional amount € 88.8 million.

*b) exchange rate hedge:*

- forward sales totalling USD 55.8 million to hedge investments of CIR International S.A. in hedge funds, expiring in March 2020.

The following hedging transactions have been carried out by the Sogefi group:

- forward sales of USD 0.35 million and purchases of BRL expiring in 2020;
- forward purchase of € 0.15 million and sale of BRL expiring in 2020;
- forward purchase of USD 0.6 million and sale of ARS expiring in 2020;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds with a notional amount of USD 82.1 million.

## **19.f. Capital ratios**

Management modulates the use of leverage to guarantee solidity and flexibility in the capital structure of CIR and its financial holding companies, measuring the ratio of funding sources to investment activities.

## **19.g. Borrowing conditions**

Some of the group's borrowing agreements contain special clauses which, in the event of failure to comply with certain economic and financial covenants, give the financing banks an option to claim

immediate repayment if the company involved does not immediately remedy the infringement of such covenants as required under the terms and conditions of the agreements.

At 31 December 2019, all contractual clauses relating to medium and long term financial liabilities were fully complied with by the group.

Below is a summary of the main covenants relating to the borrowings of the operating sub-holding companies at year end.

► Sogefi group

The covenants relating to debt at 31 December 2019 are described below:

- loan of € 20,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 25,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 50,000 thousand - Unicredit S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 80,000 thousand - Banca Nazionale del Lavoro S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 55,000 thousand - Ing Bank N.V.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- loan of € 50,000 thousand - Intesa Sanpaolo S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3;
- bond of USD 115,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 4;
- bond of € 25,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 4;
- bond of € 75,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expense not less than 3.

Note that the covenants relating to: i) loan of € 20,000 thousand - Mediobanca S.p.A., ii) loan of € 50,000 thousand - Unicredit S.p.A., iii) loan of € 80,000 thousand - Banca Nazionale del Lavoro S.p.A., iv) loan of € 55,000 thousand - Ing Bank N.V., v) loan of € 50,000 thousand - Intesa Sanpaolo S.p.A., vi) bond of USD 115,000 thousand was renegotiated following the introduction of IFRS 16.

At 31 December 2019, these covenants were all complied with.

► KOS group

The KOS group has undertaken to comply with the following covenants relating to some of its loans:

- loans obtained by the parent KOS: ratio of consolidated net financial position to gross operating profit (loss) less than or equal to 3.5, ratio gross operating profit (loss)A to financial charges greater than or equal to 3 and a loan to value ratio less than 60%;
- loans obtained by KOS Care: ratio of consolidated net financial position to gross operating profit (loss) less than or equal to 3.5;
- loan obtained by Sanatrix Gestione S.r.l.: ratio of consolidated net financial position to gross operating profit (loss) less than or equal to 4;
- loan obtained by HSS Real Estate S.r.l.: ratio of consolidated net financial position to gross operating profit (loss) less than or equal to 4;

Note that for the purpose of calculating the covenants, the consolidated net financial position and EBITDA do not take the impacts of IFRS 16 into consideration.

At 31 December 2019, these covenants were all complied with.

Certain loan agreements also contain negative pledge, *pari passu* and change of control clauses, as well as limitations on the distribution of dividends. At the reporting date there have not been any breaches of these clauses and covenants.

#### **19.h. Measurement and classification of financial assets and liabilities and fair value hierarchy**

The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured on the basis of prices published in the active market;
- the fair value of other financial assets and liabilities (except for derivatives) is measured using commonly accepted valuation techniques based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and broker listed prices for similar instruments.
- the fair value of derivatives that are listed on an active market is measured on the basis of market prices; if no prices are published, different approaches are used according to the type of instrument.

In particular, for the measurement of certain investments in bond instruments with no regular market, i.e. where there is an insufficient number of frequent transactions with a sufficiently limited bid-ask spread and volatility, the fair value of these instruments is measured principally on the basis of prices supplied by leading international brokers at the parent's request. These prices are then validated by comparing them with market prices, even if limited in number, or with prices that are observable for other instruments with similar characteristics.

In measuring investments in private equity funds, fair value is determined on the basis of the NAV communicated by the fund administrators at the reporting date. Where such information is not available at the reporting date, the last official communication is used, though it must not be more than three months old at the reporting date and, if necessary, validated against more recent information made available to investors by the fund administrators.

With reference to capitalisation policies, these instruments cannot be classified as fair value level 1. This is because they are not listed and the price cannot be obtained from public info providers. It should also be considered that, given the impossibility for the investor/insured party to sell these

instruments to third parties (they are linked to the life-span of the insured person), there are not even transactions that can identify the instrument as "liquid".

The fair value is instead configured as level 2 because, even though they are not listed instruments, the method for determining their value is the same for all policyholders who invest in the same fund, based on information provided by the counterparty or available on the websites of insurance counterparties.

The following table gives a breakdown of financial assets and liabilities measured at fair value with an indication of whether the fair value is determined, in whole or in part, directly by reference to price quotations published in an active market ("Level 1") or estimated using prices derived from market quotations for similar assets or using valuation techniques for which all significant factors are derived from observable market data ("Level 2") or from valuation techniques based mainly on input not observable on the market, which therefore involve estimates and assumptions being made by management ("Level 3").

#### CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2019	Classification	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
<b>NON-CURRENT ASSETS</b>					
OTHER FINANCIAL ASSETS	FVTPL	54,746	--	52,612	2,134
<b>CURRENT ASSETS</b>					
SECURITIES	FVTPL	24,522	14,028	10,494	--
OTHER FINANCIAL ASSETS	FVTPL	264,278	--	264,278	--

During the year, there were no transfers between the various levels of the fair value hierarchy.

In detail, financial assets classified as level 3 refer for € 134 thousand to venture capital investments held by CIR International S.A. relating to investments in companies operating in the information and communication technologies sector and € 2,000 thousand to the investment made by CIR S.p.A. in Lendix SA.

## CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2019	Classification	Carrying amount
<b>NON-CURRENT ASSETS</b>		
OTHER EQUITY INVESTMENTS	FVTOCI	1,863
OTHER RECEIVABLES	Amortised cost	45,860
OTHER ASSETS	FVTPL	54,746
<b>CURRENT ASSETS</b>		
TRADE RECEIVABLES	Amortised cost, expected loss for counterparty risk	241,762
OTHER ASSETS	Amortised cost, expected loss for counterparty risk	60,903
LOAN ASSETS	Amortised cost, expected loss for counterparty risk	23,135
SECURITIES	FVTPL	24,522
OTHER FINANCIAL ASSETS	FVTPL	264,278
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk	308,100
<b>NON-CURRENT LIABILITIES</b>		
BONDS	Amortised cost	310,671
OTHER LOANS AND BORROWINGS	Amortised cost	436,890
LEASE LIABILITIES	Cost	786,980
<b>CURRENT LIABILITIES</b>		
BANK LOANS AND BORROWINGS	Amortised cost	8,455
BONDS	Amortised cost	40,180
OTHER LOANS AND BORROWINGS	Amortised cost	68,946
LEASE LIABILITIES	Cost	72,065
TRADE PAYABLES	Amortised cost	396,297

## CREDIT RISK

(in thousands of euro)

Balance at 31 December 2019	Items financial statements	Total receivable	Not yet due	Expired by >
<b>Other assets (non-current assets) (*)</b>	7.g.	24,846	18,589	6,257
Gross asset		34,093	18,875	15,218
Loss allowance		(9,247)	(286)	(8,961)
<b>Trade receivables</b>	8.b.	241,762	171,113	70,649
Gross asset		274,591	172,620	101,971
Loss allowance		(32,829)	(1,507)	(31,322)
<b>Other assets (current assets) (**)</b>	8.c.	24,514	24,514	--
Gross asset		25,364	24,514	850
Loss allowance		(850)	--	(850)
<b>Total</b>		<b>291,122</b>	<b>214,216</b>	<b>76,906</b>

0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired traded	Impairment losses
--	--	--	6,257	--	
--	--	--	15,218	--	
--	--	--	(8,961)	--	(2,090)
24,718	9,000	3,173	33,758	--	
25,288	9,338	3,531	63,814	--	
(570)	(338)	(358)	(30,056)	--	(4,558)
--	--	--	--	--	
--	--	--	850	--	
--	--	--	(850)	--	--
<b>24,718</b>	<b>9,000</b>	<b>3,173</b>	<b>40,015</b>	<b>--</b>	<b>(6,648)</b>

(\*) € 21,014 thousand of tax assets not included.

(\*\*) € 36,389 thousand of tax assets not included.

(in thousands of euro)

Balance at 31 December 2018	Items financial statements	Total receivable	Not yet due	Expired by >
<b>Other assets (non-current assets) (*)</b>	7.g.	25,146	13,981	11,165
Gross asset		35,075	14,267	20,808
Loss allowance		(9,929)	(286)	(9,643)
<b>Trade receivables</b>	8.b.	420,969	296,522	124,447
Gross asset		469,653	302,112	167,541
Loss allowance		(48,684)	(5,590)	(43,094)
<b>Other assets (current assets) (**)</b>	8.c.	43,636	43,636	--
Gross asset		50,700	46,935	3,765
Loss allowance		(7,064)	(3,299)	(3,765)
<b>Total</b>		<b>489,751</b>	<b>354,139</b>	<b>135,612</b>

0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired traded	Impairment losses
--	--	--	11,165	--	
--	--	--	20,808	--	
--	--	--	(9,643)	--	(450)
54,872	16,338	11,092	42,145	--	
60,820	16,923	11,570	78,228	--	
(5,948)	(585)	(478)	(36,083)	--	(6,809)
--	--	--	--	--	
--	--	--	3,765	--	
--	--	--	(3,765)	--	(981)
<b>54,872</b>	<b>16,338</b>	<b>11,092</b>	<b>53,310</b>	<b>--</b>	<b>(8,240)</b>

(\*) € 25,388 thousand of tax assets not included.

(\*\*) € 35,381 thousand of tax assets not included.

## LIQUIDITY RISK - 2019

<i>(in thousands of euro)</i>	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <5 years	Total
<b>Non-derivative financial liabilities</b>							
Bonds	42,860	119,054	25,315	25,315	74,237	80,529	367,310
Other loans and borrowings:							
- Bank loans and borrowings	104,783	84,845	164,309	117,946	67,443	20,732	560,058
- Payables to other lenders	1,223	239	477	483	482	681	3,585
Bank loans and borrowings	8,624	--	--	--	--	--	8,624
Trade payables	396,297	--	--	--	--	--	396,297
<b>Derivative financial liabilities</b>							
Hedging derivatives	(196)	(663)	(306)	(90)	--	--	(1,255)
Non-hedging derivatives	--	--	--	--	--	--	--
<b>Total</b>	<b>553,591</b>	<b>203,475</b>	<b>189,795</b>	<b>143,654</b>	<b>142,162</b>	<b>101,942</b>	<b>1,334,619</b>

## LIQUIDITY RISK - 2018

<i>(in thousands of euro)</i>	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <5 years	Total
<b>Non-derivative financial liabilities</b>							
Bonds	126,638	48,275	110,184	18,897	17,767	101,725	423,486
Other loans and borrowings:							
- Bank loans and borrowings	64,674	95,873	47,451	83,066	30,145	28,680	349,889
- Payables to leaSE companies	14,588	7,467	12,232	12,696	8,961	20,842	76,786
- Payables to other lenders	76,370	276	228	464	477	1,162	78,977
Bank loans and borrowings	13,731	--	--	--	--	--	13,731
Trade payables	497,264	--	--	--	--	--	497,264
<b>Derivative financial liabilities</b>							
Hedging derivatives	1,280	936	664	306	90	--	3,276
Non-hedging derivatives	--	--	--	--	--	--	--
<b>Total</b>	<b>794,545</b>	<b>152,827</b>	<b>170,759</b>	<b>115,429</b>	<b>57,440</b>	<b>152,409</b>	<b>1,443,409</b>



## LOSS ALLOWANCES

(in thousands of euro)

<b>Balance at 31 December 2019</b>	<i>Opening balance</i>	<i>Impairment losses</i>	<i>Uses</i>	<i>Exchange differences +/-</i>	<i>Assets held for sale</i>	<i>Business combinations +/-</i>	<i>Other changes</i>	<i>Closing balance</i>
Loss allowance	(65,677)	(6,648)	9,438	7	21,107	(1,153)	--	(42,926)

The balance of the "Assets held for sale" column refers to the change in the consolidation method of the GEDI group in application of IFRS 5.

(in thousands of euro)

<b>Balance at 31 December 2018</b>	<i>Opening balance</i>	<i>Impairment losses</i>	<i>Uses</i>	<i>Exchange differences +/-</i>	<i>Assets held for sale</i>	<i>Business combinations +/-</i>	<i>Other changes</i>	<i>Closing balance</i>
Loss allowance	(61,873)	(8,240)	5,870	74	--	(322)	(1,186)	(65,677)

## 20. Guarantees and commitments

At 31 December 2019 the position of guarantees and commitments was the following:

► CIR & financial holding companies

Commitments for private equity fund investments by CIR International for € 20.5 million.

► Sogefi group

*Investment commitments*

At 31 December 2019 there are binding commitments for investments relating to purchases of property, plant and equipment of € 1,195 thousand.

*Guarantees given*

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Guarantees given to third parties	2,697	4,661
Other unsecured guarantees given to third parties	2,813	2,690
Secured guarantees given for borrowings shown in the financial statements	665	1,116

Guarantees given to third parties relate to guarantees given to certain customers by Sogefi Suspensions Heavy Duty Italy S.r.l., to the supplier of an operating lease contract by the subsidiary Sogefi Filtration do Brasil Ltda and by the subsidiary Sogefi Filtration Ltd; -sureties are shown at the amount of the commitment at the reporting date. These items indicate risks, commitments and guarantees given by group companies to third parties.

"Other unsecured guarantees given to third parties" refer to the commitment of the subsidiary Sogefi HD Suspensions Germany GmbH to the employees' pension fund of the two business divisions at the time of the acquisition in 1996. This commitment is covered by contractual obligations on the part of the vendor, which is a leading German company.

The secured guarantees relate to Allevard IAI Suspensions Private Ltd which, for loans received, granted the lenders secured guarantees over property, plant and equipment and trade receivables.

*Other risks*

At 31 December 2019 the Sogefi group held assets belonging to third parties on its premises for € 14,984 thousand.

► KOS group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. and/or other subsidiaries against loans of KOS S.p.A. for a total of € 22,901 thousand:

- a guarantee on behalf of KOS S.p.A. for the lease of the Via Durini offices for € 46 thousand;
- a guarantee on behalf of KOS Care S.r.l. for lease contracts worth € 22,499 thousand;
- a guarantee on behalf of Medipass S.r.l. and its subsidiaries for lease contracts worth € 131 thousand;

- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand.

At 31 December 2019, other commitments and risks amounted to € 10,629 thousand, mainly related to:

- assets on free loan for € 3,013 thousand;
- guarantees issued by Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand;
- tenders for € 1,558 thousand;
- contractual commitments of around € 5,105 thousand.

## 21. Information on the business segment

The business segments coincide with the groups of companies that CIR S.p.A. controls. In detail:

- the Sogefi group: automotive components;
- the GEDI group: media;
- the KOS group: healthcare.

From a geographical point of view, with the exception of the Sogefi group, business is conducted almost exclusively in Italy.

Economic and financial information by business segment is provided in the Report on Operations, whereas details of revenue by geographical area (secondary sector) can be found in Note 12.

An analysis of assets, investments, depreciation/amortisation and write-downs by geographical area is shown in the following chart.

<i>(in thousands of euro)</i>	<i>Assets</i>	<i>Investments</i>	<i>Depreciation/ Impairment losses</i>
Italy	4,531,657	36,429	106,177
Other European countries	1,421,993	174,485	79,360
North America	172,026	18,480	25,042
South America	82,713	4,242	9,412
Asia	206,868	21,742	19,413
Consolidation gains (losses)	(2,228,214)	(1,690)	(34,614)
<b>Total</b>	<b>4,187,043</b>	<b>253,688</b>	<b>204,790</b>

## 22. Joint ventures

The group does not hold any direct investments in joint ventures at 31 December 2019.

## 23. Net financial indebtedness

The net financial indebtedness in accordance with Consob Resolution no. 6064293 of 28 July 2006 is as follows:

<i>(in thousands of euro)</i>	31.12.2019	31.12.2018
A. Cash and bank deposits	308,100	244,469
B. Other cash equivalents	264,278	276,880
C. Securities held for trading	24,522	25,069
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>596,900</b>	<b>546,418</b>
E. Current loan assets	<b>23,135</b>	<b>25,773</b>
F. Current bank loans and borrowings	(*) (71,115)	(65,824)
G. Bonds	(40,180)	(113,801)
H. Current portion of non-current debt	(6,286)	(92,096)
I. Lease liabilities	(72,065)	--
<b>J. Current financial indebtedness (F)+(G)+(H)+(I)</b>	<b>(189,646)</b>	<b>(271,721)</b>
<b>K. Current net financial position (J)+(E)+(D)</b>	<b>430,389</b>	<b>300,470</b>
L. Non-current bank loans and borrowings	(**) (434,560)	(267,032)
M. Bonds issued	(310,671)	(270,254)
N. Other non-current liabilities	(**) (2,330)	(60,271)
O. Lease liabilities	(786,980)	--
<b>P. Non-current financial indebtedness (L)+(M)+(N)+(O)</b>	<b>(1,534,541)</b>	<b>(597,557)</b>
<b>Q. Net financial indebtedness (K) + (P)</b>	<b>(1,104,152)</b>	<b>(297,087)</b>

(\*) 62,660 thousand (€ 71,115 - € 8,455) is classified in the Statement of Financial Position under "Other loans and borrowings" - Current liabilities.

(\*\*) Classified under "Other loans and borrowings" – Non-current liabilities

## 24. Disclosures regarding share-based payment plans

The following chart shows the stock option and stock grant plans of the parent CIR S.p.A.

**CIR - STOCK OPTION PLANS AT 31 DECEMBER 2019**

	Options in circulation at start of the year		Options granted during the year		Options exercised during the year		Options vested during the year		Options in circulation at end of the year			Options exercisable at end of the year	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Average strike price	Average duration (years)	No. of options	Weighted average strike price
Extraordinary stock option plan - 4th tranche	2,203,500	1.0718	-	-	-	-	2,203,500	1.0718	-	-	-	-	-
1st tranche 2009	1,924,800	0.9907	-	-	-	-	1,924,800	0.9907	-	-	-	-	-
2nd tranche 2009	3,086,000	1.5449	-	-	-	-	-	-	3,086,000	1.5449	0.16	3,086,000	1.5449
1st tranche 2010	3,146,000	1.6208	-	-	-	-	-	-	3,146,000	1.6208	0.75	3,146,000	1.6208
2nd tranche 2010	3,068,000	1.4982	-	-	-	-	-	-	3,068,000	1.4982	1.16	3,068,000	1.4982
<b>Total</b>	<b>13,428,300</b>	<b>1.3949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,128,300</b>	<b>1.0340</b>	<b>9,300,000</b>	<b>1.5552</b>	<b>0.69</b>	<b>9,300,000</b>	<b>1.5552</b>

**CIR - STOCK GRANT PLANS AT 31 DECEMBER 2019**

	Instruments outstanding at start of the year		Instruments granted during the year		Instruments exercised during the year		Instruments vested during the year		Instruments outstanding at end of the year			Instruments exercisable at end of the year	
	No. of Units	Opening amount	No. of Units	Opening amount	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Opening amount	Average duration (years)	No. of Units	Opening amount
Stock Grant Plan 2015	1,343,666	1.0916	22,005	0.9950	64,375	1.0916	691,250	1.0916	610,046	1.0916	5.33	610,046	1.0916
Stock Grant Plan 2015 for the CEO	1,034,923	1.0940	38,728	0.9950	-	-	-	-	1,073,651	1.0940	5.33	1,073,651	1.0940
Stock Grant Plan 2016	1,589,602	1.0587	13,602	0.9950	129,438	1.0587	-	-	1,473,766	1.0587	6.33	547,329	1.0587
Stock Grant Plan 2017	1,464,042	1.4359	2,401	0.9950	59,009	1.4359	-	-	1,407,434	1.4359	7.33	217,901	1.4359
Stock Grant Plan 2018	2,073,486	0.8799	-	-	-	-	30,000	0.8799	2,043,486	0.8799	8.33	-	-
Stock Grant Plan 2019	-	-	2,043,060	0.9160	-	-	-	-	2,043,060	0.9160	9.33	-	-
<b>Total</b>	<b>7,505,719</b>	<b>1.0936</b>	<b>2,119,796</b>	<b>0.9189</b>	<b>252,822</b>	<b>1.1551</b>	<b>721,250</b>	<b>1.0828</b>	<b>8,651,443</b>	<b>1.0508</b>	<b>7.48</b>	<b>2,448,927</b>	<b>1.1159</b>

### CIR S.p.A. - Stock Grant Plans

The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.

The regulations envisage a minimum holding of the shares covered by the Plan.

The shares assigned in implementation of the Plans will be made available only from treasury shares held by CIR S.p.A. The regulations state that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights and at the date that they are exercised.

With reference to plans issued in the last three years, note that:

- On 28 April 2017 the Shareholders' Meeting approved the 2017 Stock Grant Plan reserved for the Chief Executive Officer and executives and directors of the company, the parent and subsidiaries, for a maximum of 2,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2019 to 31 January 2021. The shares assigned in execution of the Plan will be made available only from treasury shares held by the company. A total of 777,800 time units were assigned during the year, whose maturity is subject to continued service, and 777,800 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts to € 1.4359.
- On 27 April 2018 the Shareholders' Meeting approved the 2018 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent and subsidiaries, for a maximum of 2,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2020 to 31 January 2022. The shares assigned in execution of the Plan will be made available only from treasury shares held by the company. A total of 1,036,743 time units were assigned during the year, whose maturity is subject to continued service, and 1,036,743 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 1.0798.
- On 29 April 2019 the Shareholders' Meeting approved the 2019 Stock Grant Plan reserved for the Chief Executive Officer and executives and directors of the company, the parent and subsidiaries, for a maximum of 2,200,000 units assignable during the year. The Stock Grant Plan involves the free assignment of units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2021 to 31 January 2023. The shares assigned in execution of the Plan will be made available only from treasury shares held by the company. A total of 1,021,530 time units were assigned during the year, whose maturity is subject to continued service with the company, and 1,021,530 performance units, whose maturity is subject to the shares achieving certain stock market

performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 1.0709.

The notional cost of the plans for the year was € 1,864 thousand, recognised in the income statement under "Personnel expense".

#### Sogefi S.p.A.

Sogefi S.p.A. implements payment plans based on Sogefi S.p.A. shares reserved for executives of the company and its subsidiaries who hold strategic positions in the group, with the aim of rewarding their loyalty to the group and giving them an incentive to increase their commitment to improving company performance and creating long-term value.

The payment plans based on Sogefi S.p.A. shares are approved in advance by the Shareholders' Meeting.

Except for those indicated under "Stock grant plans and stock option plans" below, the group has not entered into any other transaction that envisages the purchase of goods or services using share-based payments or payments based on any other equity instrument, so it is not necessary to provide the fair value of such goods or services.

In addition to the one issued in 2019, the group issued plans from 2009 to 2018, the main characteristics of which are reported below.

#### Stock Grant Plans

The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one Sogefi S.p.A. share free of charge. The Plan envisages two classes of rights: time-based units, which vest subject to the passing of a fixed period of time, and performance units, which vest subject to the passing of a term and the achievement of certain objectives established in the Plan Regulations.

The Regulations envisage a minimum holding of the shares covered by the Plan.

The shares assigned in implementation of the Plans will be made available only from treasury shares held by Sogefi S.p.A. The Regulations say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

On 22 July 2019, the Board of Directors implemented the 2019 stock grant plan (approved by Shareholders' Meeting of the same date for a maximum of 500,000 units) reserved for employees of the company and its subsidiaries by granting them a total of 482,244 units (of which 219,635 time-based units and 262,609 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 22 October 2021 to 22 July 2023.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

At 31 December 2019, 34,322 time-based units and 41,036 performance units have lapsed in accordance with the regulation.

The fair value of the rights granted in 2019 was calculated at the grant date with the binomial model for the valuation of American options (the so-called "Cox, Ross and Rubinstein model") and comes to a total of € 552 thousand.

In particular, the input data used for the measurement of the fair value of the 2019 Stock Grant plan are summarised below:

- curve of EUR/GBP/SEK/CHF risk-free interest rates on 22 July 2019;
- prices of the underlying asset (i.e. the price of the Sogefi S.p.A. share on 22 July 2019, namely € 1.27) and of the securities in the benchmark basket, again posted on 22 July 2019;
- normal market prices of the Sogefi S.p.A. share and of the securities in the benchmark basket from 21 June 2019 to 21 July 2019, to calculate the threshold for the performance units of the stock grant;
- historical volatility at 260 days of the securities and exchange rates observed on 22 July 2019;
- zero dividend yield for the valuation of the stock grant;
- time series of logarithmic yields on the securities concerned and the EUR/GBP, EUR/SEK and EURCHF exchange rates to calculate the correlations between securities and the correlations between the 3 securities not denominated in Euro and the related exchange rates (for the adjustment of estimated trends), calculated for the period between 22 July 2018 to 22 July 2019.

The main characteristics of the stock grant plans approved in previous years and still existing are reported below:

- Stock Grant Plan 2011 for a maximum of 1,250,000 conditional rights reserved for the director serving as the Chief Executive Officer of the parent at the plan issue date and for employees of the company and its subsidiaries via allocation to them of a total of 757,500 units (of which 320,400 time-based units and 437,100 performance units).

The time-based units matured in quarterly tranches, i.e. 12.5% of the total, from 20 April 2013 to 20 January 2015.

The performance units were expected to mature on the same vesting dates as the time-based units, but only on condition that the "normal market value" of the shares at each vesting date is at least equal to the percentage of the initial value laid down in the regulation.

At 31 December 2019, 29,837 time-based units and 134,866 performance units have lapsed in accordance with the regulation; 291,325 time-based units and 298,333 Performance units have been exercised.

- Stock Grant Plan 2012 for a maximum of 1,600,000 conditional rights reserved for the director serving as the Chief Executive Officer of the parent at the plan issue date and for employees of the company and its subsidiaries via allocation to them of a total of 1,152,436 units (of which 480,011 time-based units and 672,425 performance units).

The time-based units were expected to mature in quarterly tranches, i.e. 12.5% of the total, from 20 April 2014 to 31 January 2016.

The performance units were expected to mature on the same vesting dates as the time-based units, but only on condition that the increase in the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeded the increase in the Sector Index (as defined in the regulation) as of the same date.

At 31 December 2019, 82,374 time-based units and 596,630 performance units have lapsed in accordance with the regulation; 392,252 time-based units and 74,852 Performance Units have been exercised.

- Stock Grant Plan 2013 for a maximum of 1,700,000 conditional rights, reserved for the employees of the company and its subsidiaries, by assigning them a total of 1,041,358 units (of which 432,434 time-based units and 608,924 performance units).

The time-based units matured in quarterly tranches, i.e. 12.5% of the total, from 20 April 2015 to 31 January 2017.

The performance units were expected to mature on the same vesting dates as the time-based units, but only on condition that the increase in the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeded the increase in the Sector Index (as defined in the regulation) as of the same date.

At 31 December 2019, 256,954 time-based units and 608,924 performance units have lapsed in accordance with the regulation; 167,665 time-based units have been exercised.



- Stock Grant Plan 2014 for a maximum of 750,000 conditional rights, reserved for the employees of the company and its subsidiaries, by assigning them a total of 378,567 units (of which 159,371 time-based units and 219,196 performance units).

The time-based units mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2016 to 20 January 2018.

The performance units mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

At 31 December 2019, 109,543 time-based units and 219,196 performance units have lapsed in accordance with the regulation; 48,472 time-based units have been exercised.

- Stock Grant Plan 2015 for a maximum of 1,500,000 conditional rights, reserved for the employees of the company and its subsidiaries, by assigning them a total of 441,004 units (of which 190,335 time-based units and 250,669 performance units).

The time-based units mature in quarterly tranches, i.e. 12.5% of the related total, from 20 October 2017 to 20 July 2019.

The performance units mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

At 31 December 2019, 56,911 time-based units and 179,805 Performance units have lapsed in accordance with the regulation; 118,124 Time-based units and 66,365 Performance units have been exercised.

- Stock Grant Plan 2016 for a maximum of 750,000 conditional rights, reserved for the employees of the company and its subsidiaries, by assigning them a total of 500,095 units (of which 217,036 time-based units and 283,059 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 27 July 2018 to 27 April 2020.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

At 31 December 2019, 75,771 time-based units and 98,826 Performance Units have lapsed in accordance with the regulation; 105,366 time-based units and 137,409 Performance Units have been exercised.

- Stock Grant Plan 2017 for a maximum of 750,000 conditional rights, reserved for the employees of the company and its subsidiaries, by assigning them a total of 287,144 units (of which 117,295 time-based units and 169,849 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 26 July 2019 to 26 April 2021.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

At 31 December 2019, 32,345 time-based units and 51,440 performance units have lapsed in accordance with the regulation; 21,173 time-based units have been exercised.

- Stock Grant Plan 2018 for a maximum of 500,000 conditional rights, reserved for the employees of the company and its subsidiaries, by assigning them a total of 415,000 units (of which 171,580 time-based units and 243,420 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 23 July 2020 to 23 April 2022.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) at the same date.

At 31 December 2019, 77,208 time-based units and 112,939 performance units have lapsed in accordance with the regulation.

The notional cost of the stock grant plans in 2019 was € 178 thousand.

The following table shows the total number of rights existing with respect to the stock grant plans for the period 2011-2019:

	2019	2018
Not exercised/not exercisable at the start of the year	1,109,427	1,036,192
Granted during the year	469,577	415,000
Cancelled during the year	(425,999)	(129,295)
Exercised during the year	(225,965)	(212,470)
Not exercised/not exercisable at the end of the year	927,040	1,109,427
Exercisable at the end of the year	50,113	87,650

The line "Not exercised/not exercisable at the end of the year" refers to the total amount of the options, net of those exercised or cancelled during the current or prior years.

The line "Exercisable at the end of the year" refers to the total amount of the options vested at the end of the year, but not yet exercised.

#### Stock Option Plans

The stock option plans offer beneficiaries the right to exercise an option to subscribe to a new issue of Sogefi shares at a given price and within a predefined period of time. The Regulations also say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

The main characteristics of the stock grant plans approved in previous years and still outstanding are reported below:

- Stock Option Plan 2010 reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for employees of Sogefi S.p.A. and its subsidiaries for up to 2,440,000 shares (2.03% of the share capital at 31 December 2019) with a strike price of € 2.3012, exercisable between 30 September 2010 and 30 September 2020.

The following table shows the total number of options and refers to the plans for the period 2009-2010 with their average strike price:

	2019		2018	
	No. of options	Average strike price	No. of options	Average strike price
Not exercised/not exercisable at the start of the period	75,000	1.88	285,000	1.91
Assigned during the year	--	--	--	--
Cancelled during the year	(55,000)	1.73	(40,000)	1.67
Exercised during the year	--	--	(130,000)	1.95
Expired during the year	--	--	(40,000)	2.10
Not exercised/not exercisable at the end of the year	20,000	2.30	75,000	1.88
Exercisable at the end of the year	20,000	2.30	75,000	1.88

The line "Not exercised/not exercisable at the end of the year" refers to the total amount of the options, net of those exercised or cancelled during the current or prior years.

The line "Exercisable at the end of the year" refers to the total amount of the options vested at the end of the year, but not yet exercised.

The following table shows the breakdown of the number of options exercisable at 31 December 2019:

No. of options exercisable at 31 December 2018	75,000
Options vested during the year	--
Options cancelled during the year	(55,000)
Options exercised during the year	--
Options expired during the year	--
No. of options exercisable at 31 December 2019	<b>20,000</b>

#### KOS S.p.A.

KOS S.p.A. has some stock option plans, to provide the group with an incentive and loyalty tool for directors and employees, which reinforces the sense of belonging to the firm for key resources, favouring a constant tension in the creation of value for the company over time.

Exercising the options is subject to specific time limits for the duration of the relationship or term of office.

The company values its own stock options with the Black-Scholes methodology.

The following is information on the Stock Option Plans outstanding at the KOS group:

KOS - STOCK OPTION PLANS AT 31 DECEMBER 2019

	Options in circulation at start of the year		Options granted during the year		Options exercised during the year		Options expired during the year		Options in circulation at end of the year			Options exercisable at end of the year		Expiry date	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Number	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price	Vesting date	Expiry date
Stock Option Plan '10 rev	1,661,083	3.05	--	--	--	--	--	--	1,661,083	2.65	13.40	1,661,083	2.65	31/12/2014	17/05/2033
Stock Option Plan '16	1,495,000	7.17	--	--	--	--	--	--	1,495,000	7.00	13.40	299,000	7.00	17/05/2023	17/05/2033
<b>Total</b>	<b>3,156,083</b>	<b>5.00</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3,156,083</b>	<b>4.71</b>	<b>13.40</b>	<b>1,960,083</b>	<b>3.31</b>		

## 25. Contingent assets/liabilities

### **Contingent assets**

#### **Sogefi group**

In 2006, Sogefi Filtration do Brasil Ltda took legal action to obtain the right to exclude the ICMS (Brazilian value added tax on sales) from the taxable base for PIS (social integration program) and COFINS (federal tax on social contribution on sales) for the period from January 2002 to July 2019.

On 25 July 2019, the court ruled in favour of the company, which thereby obtained the legal right to recognize these tax credits.

It should also be noted that in October 2017 the Brazilian Supreme Court (STF) expressed a favourable opinion for taxpayers with reference to the issue in question; this decision generated a legal precedent for the entire country. However, the Supreme Court did not specify the method of calculation that taxpayers should apply, taking into account the different regulations governing tax calculations. A new Supreme Court ruling is scheduled for 1 April 2020, the date on which the method of calculation is expected to be defined.

At 31 December 2019, the company prudently did not recognise any tax asset in the financial statements with reference to this issue, awaiting clarification from the Supreme Court about the method of calculation.

### **Contingent liabilities**

Certain group companies have legal disputes pending, against which their Boards have accrued risk provisions for amounts that are considered appropriate, taking into account the opinion of their consultants regarding the likelihood that significant liabilities will actually occur.

#### **Sogefi group**

In October 2016, Sogefi S.p.A. received four notices of assessment relating to the tax years 2011 and 2012, following a tax audit in the first half of 2016, containing the following two observations: i) undue deduction of € 0.6 million of VAT paid on goods and services, ii) undue deduction for IRES purposes (and related non-deductible VAT of € 0.2 million) in costs for services rendered by the parent CIR S.p.A. for a total taxable amount of € 1.3 million, plus interest and penalties.

The notices have already been appealed before the Mantua Provincial Tax Commission, which on 14 July 2017 issued ruling 119/02/2017 that was entirely favourable to the company. The sentence was partially appealed by the Tax Authorities, which requested confirmation only of the assessments notified for VAT purposes, definitively renouncing the assessment notices issued for IRES purposes. The Company has filed counterclaims against this partial appeal. On 19 November 2019 the hearing was held at the Lombardy Regional Tax Commission, which accepted the Tax Office's argument. The Company has until 2 July 2020 to appeal the sentence before the Supreme Court.

The Directors, backed by the professional opinion of the company's tax consultant, consider that the risk of losing is possible, but not probable.

Sogefi Filtration Italy S.p.A. has a dispute with the Tax Authorities for the 2004 tax year. The judgement, which arose in 2009, concerns an alleged circumvention or abuse of the merger with cancellation of the shares of the "old" Sogefi Filtration S.p.A. absorbed by Filtrauto Italia S.r.l., which resulted in the derecognition on cancellation of the merger deficit attributed partially to goodwill and partially to revaluation of a property, in addition to interest on the loan granted by Sogefi S.p.A. to Filtrauto S.r.l. as part of the deal.

The company has challenged the assessment notices, defending the legitimacy of its approach. In 2012 the Provincial Tax Commission of Milan cancelled the assessment notices for the part relating

to the accusation of circumvention/abuse. The Office appealed these judgements before the Milan Regional Tax Commission. On 21 March 2014, the Milan Regional Tax Commission filed the sentence confirming cancellation of the documents already ordered at first instance. On 16 June 2014 the Tax Authorities filed an appeal through the State Attorney. The company has filed a counter-appeal. On 5 December 2019 the Supreme Court upheld one of the grounds of appeal proposed by the State Attorney and, as a result, the sentence rendered by the second instance judge was dismissed. This aspect was then referred for assessment to the Regional Tax Commission, which will be called upon to express its opinion with a request for resumption to be proposed by 5 June 2020.

Based on the opinion expressed by the tax consultant who follows the case and considering the almost unanimous opinion of the best legal doctrine in favour of the arguments put forward by the company regarding the circumvention and abuse of the right, which were shared by the judgements of first and second instance, management believes, as of 31 December 2019, that the risk of losing the dispute, which involves taxes of around € 3 million, penalties of the same amount and estimated interest of around € 2 million, for a total of around € 8 million, is possible but not probable.

The Sogefi group has therefore not recognised any tax provisions for contingent liabilities in the financial statements at 31 December 2019.

#### Gedi group

On 21 March 2018, GEDI Gruppo Editoriale S.p.A. was informed of criminal proceedings for alleged participation in the offence envisaged by art. 640, paragraph 2, no. 1 of the Italian Criminal Code against the Chief Executive Officer, the Central Director of Human Resources and the General Manager of the National Press, as well as for the offence referred to in art. 24 of Italian Legislative Decree 231/2001 (as the result of an offence committed by certain individuals in the interest or to the advantage of the entity) against the company and some of its subsidiaries.

The investigation conducted by the Rome Public Prosecutor's Office concerns an alleged fraud against INPS in relation to the allegedly irregular access to redundancy payments (CIGS) by some employees during the period from 2012 to 2015 wanting to obtain early retirement as provided for by Law 416/81.

The company was convinced that it was in compliance with current legislation, which is also corroborated by internal audits aimed at examining compliance with the procedure provided for by the relevant legislation and by an authoritative labour law opinion, so the company retains that, for the time being, it is not in the condition to objectively assess the specific conduct that allegedly would complement the hypotheses of crime, nor the number of former employees who would have illegitimately had access to early retirement, nor consequently any tax evasion to be compensated. No court documents or notifications supplementing or amending those received on 21 March 2018 have been received. This situation therefore makes it impossible to assess the degree of risk and the consequent quantification of the same, in accordance with IAS 37.

In the event of a final conviction for the administrative offence pursuant to art. 24 of Legislative Decree 231/2001, the pecuniary administrative sanctions are those provided for in the combined provisions of articles 10, 11 and 24 of the decree.

## 26. Other information

### INFORMATION PURSUANT TO ART. 149-DUODECIES OF CONSOB'S ISSUERS REGULATION

The following table, drawn up pursuant to art. 149-duodecies of Consob's Issuers Regulation, shows the fees pertaining to the year for auditing and non-audit services rendered by KPMG S.p.A. and by other firms belonging to its network:

<i>(in thousands of euro)</i>	<i>2019</i>
<i>Charged to the parent:</i>	
a) by the independent auditors for auditing services	123
b) by the independent auditors:	
- for other services	21
c) by network partners of the independent auditors for other services	--
<i>Charged to the subsidiaries:</i>	
a) by the independent auditors for auditing services	2,842
b) by the independent auditors:	
- for other services	161
c) by network partners of the independent auditors for other services	84

### SIGNIFICANT EVENTS AFTER THE REPORTING DATE

#### COVID-19

In early January 2020, the WHO gave news of the spread of coronavirus in China, particularly in the city of Wuhan. From 30 January, the WHO declared an international health emergency. The number of cases in Italy was still very limited.

In February, the virus began to spread in Italy and on 4 March the Italian government decided to shut schools and universities throughout Italy until mid-March. On Sunday 8 March the government issued a decree ordering the isolation of Lombardy and 14 other provinces.

In light of this situation, the company immediately implemented all measures needed to guarantee the safety of workers and arranged for people to work from home, where possible, to reduce the risk of contagion and ensure that work could continue.

At present, based on available information and in line with international financial reporting standards, the Covid-19 pandemic has been classified as a "non-adjusting" event (under IAS 10). The nature of the event has been described in this paragraph and, given the context of general uncertainty, there are currently no elements to quantify its impact. Depending on how the situation evolves, it could have unpredictable and potentially significant effects on future commercial and operating activities and therefore on the group's results, equity and financial position.

The forecast data and information contained in the section "Outlook" of the report on operations entitled "Outlook" have to be considered "forward-looking statements". This means that, not being based on historical facts, they have by their nature a component of risk and uncertainty as they also depend on future events and developments beyond the control of the group, above all the recent Covid-19 pandemic. The forecast data refer to information available at the date they were published; the actual figures could vary substantially compared with the forecasts.

## Merger

CIR S.p.A. - Compagnie Industriali Riunite (the "Merged Company") was merged with COFIDE - Gruppo De Benedetti S.p.A. (the "Merging Company") on 19 February 2020, leading to the cancellation of the Merged Company.

These are therefore the last financial statements of CIR S.p.A. and all its assets and liabilities, as well as all of its contractual relations with employees, commercial and tax relations have been transferred to COFIDE S.p.A.

After the merger, COFIDE S.p.A. changed its name to "CIR S.p.A. - Compagnie Industriali Riunite".

### **INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, OF LAW 124 OF 4 AUGUST 2017**

During 2019, subsidiaries that receive the types of government grants referred to in this law have made suitable disclosures in their financial statements.

### **INFORMATION PURSUANT TO ART. 2427, 22-QUINQUIES AND ART. 2427, 22-SEXIES**

The company that prepares the consolidated financial statements for the largest group of companies of which the company is a subsidiary is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio 41, Turin, whose financial statements are filed at the registered office.

The company that prepares the consolidated financial statements for the smallest group of companies of which the company is a subsidiary is Cofide - Gruppo De Benedetti S.p.A. with registered office in Via Ciovassino 1, Milan, whose financial statements are filed at the registered office.

### **RELATED PARTY TRANSACTIONS**

On 28 October 2010 the parent adopted the Regulations on Related Party Transactions envisaged in Consob Resolution no. 17221 of 12 March 2010, as amended by Resolution no. 17389 of 23 June 2010.

The procedure lays down principles of conduct that the parent is required to adopt to ensure that related party transactions are handled properly. This means that it:

- 1) lays down the criteria and methods of identifying the parent's related parties;
- 2) establishes principles for identifying related party transactions;
- 3) governs the procedures for carrying out related party transactions;
- 4) establishes ways to ensure compliance with the related disclosure requirements.

The Board of Directors has also appointed a Related Party Transactions Committee, establishing that its members coincide with those of the Internal Control Committee, except for the system of substitutes envisaged in the procedures.

The following have been identified as related parties:

- the direct and indirect parent entities of CIR S.p.A., their subsidiaries, also joint ventures, and their associates;
- the subsidiary entities (whose relationships are eliminated in the consolidation process), jointly controlled and the associated entities of CIR S.p.A.;



- individuals with strategic responsibilities, their close family members and any companies directly or indirectly controlled by them or subject to joint control or significant influence;

CIR S.p.A. helped to manage and provide strategic support services to its subsidiaries and associates during the year, which involved administrative and financial services, the purchase and sale of financial assets and providing loans, among other things.

Transactions with the parent consisted of providing administrative and financial services and receiving operational support and communication services. The main concern of CIR and its counterparties in relation to these services is to ensure quality and a high level of efficiency of the services rendered, which derive from CIR's specific knowledge of the group's business activities.

Note that CIR S.p.A. has signed lease contracts with executives with responsibilities within the group. The group's related party transactions are settled at arm's length, taking into consideration the quality and the specific nature of the services provided.

The CIR group did not carry out any transactions with related parties, as defined by Consob, or with entities other than related parties that could be considered transactions of an atypical or unusual nature, outside normal business administration or such as to have a significant impact on the group's results, assets and liabilities or financial situation.

The following table gives a summary of transactions with related parties:

INCOME STATEMENT - Transactions with related parties

<i>(in thousands of euro)</i>	<i>Revenue</i>	<i>Cost for the purchase of goods</i>	<i>Cost for services</i>	<i>Other operating expense</i>	<i>Other operating income</i>	<i>Finance income</i>	<i>Finance expense</i>	<i>Dividends</i>
Parents	--	--	--	--	100	--	--	--
Subsidiaries	--	--	(228)	--	500	--	--	--
Associates	--	--	--	--	--	--	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	103	--	--	--
<b>Total</b>	--	--	<b>(228)</b>	--	<b>703</b>	--	--	--

STATEMENT OF FINANCIAL POSITION - Transactions with related parties

<i>(in thousands of euro)</i>	<i>Non-current assets</i>	<i>Current assets</i>		<i>Non-current liabilities</i>	<i>Current liabilities</i>		
	<i>Other assets</i>	<i>Trade receivables</i>	<i>Other assets</i>	<i>Other loans</i>	<i>Other loans</i>	<i>Trade payables</i>	<i>Other liabilities</i>
Parents	--	--	--	--	--	--	--
Subsidiaries	--	610	--	--	--	--	--
Associates	--	--	105	--	--	--	--
Joint ventures	--	--	--	--	--	--	--
Other related parties	--	1	--	--	--	--	--
<b>Total</b>	--	<b>611</b>	<b>105</b>	--	--	--	--

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS  
PURSUANT TO ART. 154 BIS OF ITALIAN LEGISLATIVE DECREE 58/98

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1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Giuseppe Gianoglio, the executive responsible for the preparation of the consolidated financial statements of CIR S.p.A., hereby certify, also taking into account the provisions of art. 154 *-bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
  - the adequacy, in relation to the characteristics of the business, and
  - effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2019.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the consolidated financial statements:
  - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - agree with the balances on the books of account and accounting entries;
  - are able to give a true and fair view of the financial position, financial performance and cash flows of the issuer and of companies included in the consolidation scope.

The report on operations includes a reliable analysis of the group's performance and results of operations, as well as the general situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 9 March 2020

Signed by

Monica Mondardini  
Chief Executive Officer

Giuseppe Gianoglio  
Executive responsible for the preparation  
of the company's financial statements

**CIR S.p.A.**

# **Separate financial statements**

**31 December 2019**

1. Statement of financial position
2. Income statement
3. Statement of comprehensive income
4. Statement of cash flows
5. Statement of changes in equity
6. Notes to the separate financial statements

# 1. Statement of financial position

(in euro)

ASSETS	Notes	31.12.2019 (**)	31.12.2018
<b>NON-CURRENT ASSETS</b>		<b>577,091,012</b>	<b>863,048,958</b>
INTANGIBLE ASSETS	(4.a.)	72,231	65,466
PROPERTY, PLANT AND EQUIPMENT	(4.b.)	5,280,171	2,152,390
INVESTMENT PROPERTY	(4.c.)	12,724,875	13,307,953
RIGHT-OF-USE ASSETS	(4.d.)	492,366	
EQUITY INVESTMENTS	(4.e.)	482,217,605	756,183,413
OTHER ASSETS	(4.f.)	69,975,011	80,004,316
of which with related parties (*)		68,784,369	78,977,531
OTHER FINANCIAL ASSETS	(4.g.)	6,328,753	11,335,420
DEFERRED TAX ASSETS	(4.h.)	--	--
<b>CURRENT ASSETS</b>		<b>20,601,752</b>	<b>26,318,727</b>
OTHER ASSETS	(5.a.)	17,416,931	18,876,558
of which with related parties (*)		9,815,751	13,111,157
CASH AND CASH EQUIVALENTS	(5.b.)	3,184,821	7,442,169
<b>ASSETS HELD FOR SALE</b>	(5.c.)	102,444,408	--
<b>TOTAL ASSETS</b>		<b>700,137,172</b>	<b>889,367,685</b>
<b>LIABILITIES</b>	<b>Notes</b>	<b>31.12.2019 (**)</b>	<b>31.12.2018</b>
<b>EQUITY</b>		<b>681,380,469</b>	<b>869,147,440</b>
SHARE CAPITAL	(6.a.)	320,637,454	322,089,243
RESERVES	(6.b.)	384,882,274	408,177,760
RETAINED EARNINGS	(6.c.)	137,304,074	124,692,792
PROFIT (LOSS) FOR THE YEAR		(161,443,333)	14,187,645
<b>NON-CURRENT LIABILITIES</b>		<b>2,093,634</b>	<b>1,809,831</b>
LEASE LIABILITIES	(7.a.)	322,335	--
DEFERRED TAX LIABILITIES	(4.h.)	13,409	234,869
EMPLOYEE BENEFIT OBLIGATIONS	(7.b.)	1,757,890	1,574,962
<b>CURRENT LIABILITIES</b>		<b>16,663,069</b>	<b>18,410,414</b>
BANK LOANS AND BORROWINGS	(5.b.)	15	--
LEASE LIABILITIES	(8.a.)	164,240	--
OTHER LIABILITIES	(8.b.)	11,547,715	13,459,315
of which with related parties (*)		6,844,927	7,600,408
PROVISIONS FOR RISKS AND CHARGES	(8.c.)	4,951,099	4,951,099
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>700,137,172</b>	<b>889,367,685</b>

(\*) As per Consob Resolution no. 6064293 of 28 July 2006.

(\*\*) The company applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retrospective approach.

## 2. Income statement

(in euro)

	Notes	2019 (**)	2018
SUNDRY REVENUE AND INCOME	(9)	2,698,929	2,860,568
<i>of which with related parties (*)</i>		1,873,587	2,059,289
COSTS FOR SERVICES	(10)	(8,492,975)	(6,553,501)
<i>of which with related parties (*)</i>		(227,618)	(297,973)
PERSONNEL EXPENSE	(11)	(5,617,749)	(5,419,086)
<i>of which with related parties (*)</i>		--	(31,402)
OTHER OPERATING EXPENSE	(12)	(2,926,657)	(1,691,295)
<i>of which with related parties (*)</i>		--	--
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(1,026,418)	(780,679)
<b>OPERATING LOSS</b>		<b>(15,364,870)</b>	<b>(11,583,993)</b>
FINANCE INCOME	(13)	808,166	1,091,562
<i>of which with related parties (*)</i>		802,798	1,075,046
FINANCE EXPENSE	(14)	(122,448)	(54,039)
DIVIDENDS	(15)	23,602,914	22,153,612
<i>of which with related parties (*)</i>		23,602,914	19,402,379
GAINS FROM TRADING SECURITIES	(16)	64,050	--
LOSSES FROM TRADING SECURITIES	(17)	(1,239,542)	(11,344)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(18)	(126,659)	172,578
<b>PROFIT BEFORE TAXES</b>		<b>7,621,611</b>	<b>11,768,376</b>
INCOME TAX	(19)	3,893,976	2,419,269
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>11,515,587</b>	<b>14,187,645</b>
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(20)	(172,958,920)	--
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>(161,443,333)</b>	<b>14,187,645</b>
<b>BASIC EARNINGS (LOSS) PER SHARE (in euro)</b>	(21)	(0.2517)	0.0218
<b>DILUTED EARNINGS (LOSS) PER SHARE (in euro) (***)</b>	(21)	(0.2517)	0.0218
<b>BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euro)</b>	(21)	0.0180	0.0218
<b>DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euro)</b>	(21)	0.0179	0.0218

(\*) As per Consob Resolution no. 6064293 of 28 July 2006

(\*\*) The company applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retrospective approach.

(\*\*\*) In the event of a negative result, the diluted loss per share is the same as the basic loss per share.

### 3. Statement of comprehensive income

(in euro)

		2019 (*)	2018
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>11,515,587</b>	<b>14,187,645</b>
<b>OTHER COMPREHENSIVE INCOME(EXPENSE)</b>			
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</i>			
OTHER FINANCIAL ASSET - NET CHANGE IN FAIR VALUE		--	--
TAX EFFECT		--	--
<b>SUB-TOTAL OF ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>		<b>--</b>	<b>--</b>
<b>COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>		<b>11,515,587</b>	<b>14,187,645</b>
<b>COMPREHENSIVE INCOME (EXPENSE) FROM DISCONTINUED OPERATIONS</b>		<b>(172,958,920)</b>	<b>--</b>
<b>COMPREHENSIVE INCOME (INCOME)</b>		<b>(161,443,333)</b>	<b>14,187,645</b>
<b>BASIC EARNINGS (LOSS) PER SHARE (in euro)</b>	(21)	(0.2517)	0.0218
<b>DILUTED EARNINGS (LOSS) PER SHARE (in euro) (**)</b>	(21)	(0.2517)	0.0218
<b>BASIC EARNINGS PER SHARE FROM COMPREHENSIVE INCOME OF CONTINUING OPERATIONS (IN EURO)</b>	(21)	0.0180	0.0218
<b>DILUTED EARNINGS PER SHARE FROM COMPREHENSIVE INCOME OF CONTINUING OPERATIONS (IN EURO)</b>	(21)	0.0179	0.0218

(\*) The company applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retrospective approach.

(\*\*) In the event of a negative result, the diluted loss per share is the same as the basic loss per share.

## 4. Statement of cash flows

(in euro)

	2019 (*)	2018
<b>OPERATING ACTIVITIES</b>		
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	11,515,587	14,187,645
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	1,026,418	780,679
LOSSES ON SALE OF INVESTMENTS AND SECURITIES	1,175,492	11,344
COSTS OF STOCK GRANT PLANS	1,864,741	1,793,637
PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS	195,594	192,712
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	126,659	(172,578)
OTHER NON-MONETARY CHANGES	(1,011,148)	(1,309,407)
DECREASE IN ASSETS/LIABILITIES	(1,368,158)	(3,092,097)
<i>of which with related parties:</i>	<i>2,540,117</i>	<i>(14,014,980)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>13,525,185</b>	<b>12,391,935</b>
of which:		
- interest paid	(60,796)	2,665
- dividends received	23,602,914	22,153,612
- receipt of income tax	2,186,941	3,846,840
<b>INVESTING ACTIVITIES</b>		
(PURCHASE) SALE OF CURRENT SECURITIES	--	--
(PURCHASE) SALE OF NON-CURRENT ASSETS	672,877	(6,897,271)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>672,877</b>	<b>(6,897,271)</b>
<b>FINANCING ACTIVITIES</b>		
POST-EMPLOYMENT BENEFITS PAID	(177,666)	(203,641)
REIMBURSEMENT OF LOANS TO SUBSIDIARIES	11,000,000	15,250,000
PAYMENT OF LEASE LIABILITIES	(174,380)	--
PURCHASE OF TREASURY SHARES	(3,181,090)	(12,676,627)
DIVIDENDS PAID	(25,007,289)	(24,764,014)
<b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>	<b>(17,540,425)</b>	<b>(22,394,282)</b>
<b>DECREASE IN NET CASH &amp; CASH EQUIVALENTS OF CONTINUING OPERATIONS</b>	<b>(3,342,363)</b>	<b>(16,899,618)</b>
<b>CASH FLOWS FROM ASSETS HELD FOR SALE</b>	<b>(915,000)</b>	<b>--</b>
<b>OPENING NET CASH &amp; CASH EQUIVALENTS</b>	<b>7,442,169</b>	<b>24,360,083</b>
<b>FIRST-TIME ADOPTION OF IFRS 9</b>	<b>--</b>	<b>(18,296)</b>
<b>CLOSING NET CASH &amp; CASH EQUIVALENTS</b>	<b>3,184,806</b>	<b>7,442,169</b>

(\*) The company applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retrospective approach.



## 5. Statement of changes in equity

(in euro)

	Share capital issued	less treasury shares	Share capital	Share premium	Legal reserve	Statutory reserve	Reserve for treasury shares	Revaluation reserve as per art. 6 of Legislative Decree no. 38/2005	Fair value reserve	First-time adoption of IFRS (FTA) reserve	Stock option and stock grant reserve	Reserve for future increases in capital	Retained earnings	Profit (loss) for the year	Total
<b>BALANCE AT 31 DECEMBER 2017</b>	397,146,184	(69,083,630)	328,062,554	40,505,774	115,969,308	179,491	69,083,630	--	1,482,790	162,209,700	15,468,246	3,059	206,725,742	(49,033,888)	890,656,406
Adjustments on FTA of IFRS 9	--	--	--	--	--	--	--	--	(1,482,790)	(49,607)	--	--	1,482,790	--	(49,607)
<b>BALANCE RESTATED AT 1 JANUARY 2018</b>	397,146,184	(69,083,630)	328,062,554	40,505,774	115,969,308	179,491	69,083,630	--	--	162,160,093	15,468,246	3,059	208,208,532	(49,033,888)	890,606,799
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dividends to shareholders	--	--	--	--	--	--	--	--	--	--	--	--	(24,764,014)	--	(24,764,014)
Losses carried forward	--	--	--	--	--	--	--	--	--	--	--	--	(49,033,888)	49,033,888	--
Unclaimed dividends as per Art. 23 of the by-laws	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Equity transactions	--	(5,973,311)	(5,973,311)	222,612	--	--	5,973,311	--	--	--	--	--	(12,899,239)	--	(12,676,627)
Notional cost of stock options and stock grants credited	--	--	--	--	--	--	--	--	--	--	1,793,637	--	--	--	1,793,637
Reclassifications	--	--	--	--	--	--	--	--	--	--	(3,181,401)	--	3,181,401	--	--
<i>Total profit (loss) for the year</i>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Measurement of securities at fair value	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	--	--	--	--	--	--	--	14,187,645	14,187,645
<i>Total profit for the year</i>	--	--	--	--	--	--	--	--	--	--	--	--	--	14,187,645	14,187,645
<b>BALANCE AT 31 DECEMBER 2018</b>	397,146,184	(75,056,941)	322,089,243	40,728,386	115,969,308	179,491	75,056,941	--	--	162,160,093	14,080,482	3,059	124,692,792	14,187,645	869,147,440
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dividends to shareholders	--	--	--	--	--	--	--	--	--	(25,007,289)	--	--	--	--	(25,007,289)
Retained earnings	--	--	--	--	--	--	--	907,335	--	--	--	--	13,280,310	(14,187,645)	--
Unclaimed dividends as per Art. 23 of the by-laws	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Equity transactions	--	(1,451,789)	(1,451,789)	347,264	--	--	1,451,789	--	--	--	--	--	(3,528,354)	--	(3,181,090)
Notional cost of stock options and stock grants credited	--	--	--	--	--	--	--	--	--	--	1,864,741	--	--	--	1,864,741
Reclassifications	--	--	--	--	--	--	--	(10,888)	--	--	(2,848,438)	--	2,859,326	--	--
<i>Total profit (loss) for the year</i>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Measurement of securities at fair value	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Loss for the year	--	--	--	--	--	--	--	--	--	--	--	--	--	(161,443,333)	(161,443,333)
<i>Total loss for the year</i>	--	--	--	--	--	--	--	--	--	--	--	--	--	(161,443,333)	(161,443,333)
<b>BALANCE AT 31 DECEMBER 2019</b>	397,146,184	(76,508,730)	320,637,454	41,075,650	115,969,308	179,491	76,508,730	896,447	--	137,152,804	13,096,785	3,059	137,304,074	(161,443,333)	681,380,469

## 6. Notes to the separate financial statements

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### 1. Basis of preparation and accounting policies

These separate financial statements, have been prepared on the a going-concern basis in accordance with the International Financial Reporting Standards adopted by the European Union, as well as all the measures issued in implementation of art. 9 of Legislative Decree 38/05. Please refer to the paragraph "Adoption of new accounting standards, interpretations and amendments" for an explanation of the standards that came into force for the first time on 1 January 2019. It should be noted that 2019 is the first period in which the company applies IFRS 16, the effects of which are described below

These separate financial statements have been prepared on the basis of the historical cost principle, modified as required for the measurement of certain financial instruments, in accordance with the accruals and going-concern principles. In fact, the company has assessed there are no significant uncertainties, as defined in paragraph 24 of IAS 1, about the business being able to continue as a going concern.

The presentation criteria adopted are as follows:

the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;

the income statement is shown by type of expenditure;

the statement of comprehensive income shows the income and expense items that are in equity;

the statement of cash flows has been prepared using the indirect method;

the statement of changes in equity gives a breakdown of the changes that took place in the reporting year and in the previous year.

The company's financial statements are accompanied by the Report on Operations to which reference should be made for the nature of the business of the company, significant events after the reporting date and relations with related parties, the statement of cash flows, the reclassified income statement and statement of financial position and outlook.

During the year, there were no exceptional cases that made it necessary to resort to the exemptions mentioned in IAS 1. IFRS were applied on a consistent basis in all of the periods presented in this report.

The figures in the separate financial statements are in euro, whereas those in the notes are in thousands of euro. The euro is the company's "functional" and "presentation" currency in accordance with the provisions of IAS 21, unless otherwise indicated.

#### Events after the reporting date

#### COVID-19

In early January 2020, the World Health Organization (WHO) gave news of the spread of Coronavirus in China, particularly in the city of Wuhan. From 30 January, the WHO declared an international health emergency. The number of cases in Italy was still very limited.

In February, the virus began to spread in Italy and on 4 March the Italian government decided to shut schools and universities throughout Italy until mid-March. On Sunday 8 March the government issued a decree ordering the isolation of Lombardy and 14 other provinces.

In light of this situation, the company immediately implemented all measures needed to guarantee the safety of workers and arranged for people to work from home, where possible, to reduce the risk of contagion and ensure that work could continue.

At present, based on available information and in line with international financial reporting standards, the Covid-19 pandemic has been classified as a "non-adjusting" event (under IAS 10). The nature of the event has been described in this paragraph and, given the context of general uncertainty, there are currently no elements to quantify its impact. Depending on how the situation evolves, it could have unpredictable and potentially significant effects on future commercial and operating activities and therefore on the company's results, equity and financial position.

### Merger

CIR S.p.A. - Compagnie Industriali Riunite (the "Merged Company") was merged with COFIDE - Gruppo De Benedetti S.p.A. (the "Merging Company") on 19 February 2020, leading to the cancellation of the Merged Company.

These are therefore the last financial statements of CIR S.p.A. and all its assets and liabilities, as well as all of its contractual relations with employees, commercial and tax relations have been transferred to COFIDE S.p.A.

After the merger, COFIDE S.p.A. changed its name to "CIR S.p.A. - Compagnie Industriali Riunite".

In accordance with paragraph 17 of IAS 10, the separate financial statements were approved for publication by the company's Board of Directors on 9 March 2020.

The Shareholders' Meeting has the power to make changes to the separate financial statements.

The financial reporting standards applied in preparing these separate financial statements at 31 December 2019 are explained below for the main asset, liability and income statement items.

#### **1.a. Intangible assets (IAS 38)**

Intangible assets are recognised only if they can be separately identified, if they are likely to generate future economic benefits and if their cost can be reliably determined.

Intangible assets with a finite useful life are measured at acquisition or production cost, net of amortisation and accumulated impairment losses.

Intangible assets are initially recognised at acquisition or production cost.

The acquisition cost is represented by the fair value of the means of payment used to acquire the asset and by any direct costs incurred to prepare the asset for use. The acquisition cost is the equivalent price in cash on the recognition date and, therefore, if payment is deferred beyond normal credit terms, the difference with respect to the equivalent price in cash is recognised as interest over the period of extended credit.

Amortisation is calculated on a straight-line basis over the asset's expected useful life and starts when the asset is available for use.

In particular, intangible assets with an indefinite useful life are not subject to amortisation, but are constantly monitored to identify any impairment losses.

The carrying amount of intangible assets is maintained in the financial statements to the extent that there is evidence that this amount can be recovered through use; for this purpose an impairment test is carried out at least once a year to verify that the intangible asset is able to generate income in the future.

Development costs are capitalised when the cost can be reliably determined, there are reasonable grounds to believe that the asset can be made available for use or sale and that it is capable of producing future benefits. Capitalised costs are subject to impairment testing annually or, in any case, whenever there are reasons to believe that testing would be appropriate.

Research costs are charged to the income statement when they are incurred.

Trademarks and licences, initially recognised at cost, are subsequently accounted for net of amortisation and accumulated impairment losses. The amortisation period is the lower of the contract term, if any, and the useful life of the asset.

Software licences, including ancillary charges, are recognised at cost and recorded net of amortisation and any accumulated impairment losses.

#### **1.b. Property, plant and equipment (IAS 16)**

Property, plant and equipment are recognised at the acquisition price or production cost, net of accumulated depreciation.

The cost includes ancillary charges and direct and indirect costs incurred at the time of acquisition and needed to make the asset ready for use.

Property, plant and equipment are depreciated systematically each year over the residual useful life of the assets.

Land, assets under construction and payments on account are not depreciated.

Land and buildings not held for business purposes according to the objects of group companies are classified in a specific asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 1.c. below).

If events suggest that an asset has been impaired, the carrying amount is verified by comparing it with the recoverable amount, represented by the higher of its fair value and value in use.

The fair value is defined on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the potential amount that could be obtained by selling the asset. The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying best estimates of the residual useful life and a discount rate that takes into account the implicit risk of the specific business sectors in which the company operates. This assessment is carried out at the level of the individual asset or of the smallest identifiable set of independent cash flow generating units (CGU).

If there are negative differences between the values mentioned above and the carrying amount, the asset is written down; if the reasons for the impairment no longer exist, the asset is revalued. Impairment losses and revaluations are recognised in the profit or loss.

#### **1.c. Investment property (IAS 40)**

An investment property is real estate, land or building - or part of a building - or both, held by the owner or by the lessee, also through a finance lease contract, for the purpose of earning rent or for appreciation of the capital invested in it or for both reasons, rather than for direct use in the production or supply of goods or services, or in corporate administration or sale, in the normal course of business. The cost of an investment property is represented by the acquisition cost, improvements, replacements and extraordinary maintenance.

For in-house construction work, all of the costs incurred up to the date of completion of the construction or development are taken into account. Until that date, the conditions set out in IAS 16 apply.

In the case of an asset held through a finance lease, the initial cost is determined according to IAS 17 as the lower of its fair value and the present value of the minimum lease payments.

The company has opted for the cost method, to be applied to all investment properties held.

According to the cost method, the measurement is performed net of depreciation and accumulated impairment losses.

#### **1.d. Investments in subsidiaries and associates (IFRS 10, IAS 27 and IAS 28)**

Investments in subsidiaries and associates are initially recognised at cost, adjusted for any impairment losses.

The positive difference emerging at the time of acquisition between the acquisition cost and the share of equity at current values of the investee pertaining to the company is therefore included in the carrying amount of the investment.

Investments in subsidiaries and associates are tested every year, or more frequently if necessary, for impairment. The method of measurement used is based on the discounted cash flow or fair value, calculated as the amount obtainable from the sale of the investment in a free transaction between knowledgeable, willing parties, less the costs of disposal. Where there is evidence of impairment of the investments, it is recognised in the income statement as a write-downs.

If the company's share of the losses of the investee company exceeds the carrying amount of the investment, and the company is obliged or intends to cover them, then the value of the investment is reduced to zero and the company's share of any further losses is recognised as a provision under liabilities. If the impairment subsequently ceases to exist or is reduced, the value is restored through the income statement up to the limit of its cost.

#### **1.e. Impairment of intangible assets and property, plant and equipment (IAS 36)**

At least once a year the company verifies the recoverability of the carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment. If such evidence exists, the carrying amount of the assets is reduced to their recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

The fair value is defined on the basis of values expressed by an active market, by recent transactions, or by the best information available in order to determine the amount that could be obtained by selling the asset. The value in use is represented by the present value of the estimated future cash flows of the asset. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuation of the cost of money for the period of the investment and the specific risks of the business. An impairment loss is recognised in the income statement if the carrying amount of the asset is higher than the recoverable amount.

When, subsequently, a loss on assets disappears or decreases, the carrying amount of the asset is increased up to the new estimate of the recoverable amount and cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately to the income statement.

#### **1.f. Other equity investments (IFRS 9)**

Equity investments in other companies, consisting of non-current financial assets which are not held for trading, are classified as "other financial assets" and recognised at fair value through profit or loss.

#### **1.g. Income tax (IAS 12)**

Current taxes are recognised on the basis of a realistic estimate of taxable income in accordance with the current tax laws, taking into account any applicable exemptions and tax assets that may be claimed. Deferred taxes are determined on the basis of temporary taxable or deductible differences between the carrying amount of assets and liabilities and their value for tax purposes and are classified as non-current assets and liabilities.

A deferred tax asset is recognised if sufficient taxable income is likely to be generated against which the temporary deductible difference can be used.

The carrying amount of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that sufficient taxable income will be obtained to take advantage of this deferred asset.

Starting from 2004 and for three years, the company and some of its Italian subsidiaries decided to join the national tax consolidation established pursuant to articles 117/129 of the Consolidated Income Tax Act (CITA). This option was renewed in 2019 for at least three more years.

The company acts as the consolidating company and calculates a single taxable base for the group of companies taking part in the national tax consolidation, which then benefits from the ability to offset taxable income with tax losses in a single tax return. Each company participating in the national tax consolidation transfers its result for fiscal purposes to the consolidating company (either taxable income or a tax loss). The company recognises a receivable from companies that provide taxable income, equal to the amount of IRES to be paid. In the case of companies with tax losses, on the other hand, the company recognises a payable equal to the IRES on the portion of the loss compensated at group level.

### **1.l. Equity**

The ordinary shares are shown at their nominal amount. The costs directly attributable to the issue of new shares are deducted from equity reserves, net of any related tax benefit.

Treasury shares are classified in a specific item that is deducted from reserves; any subsequent sale, reissue or cancellation does not have any impact on the income statement, but exclusively on equity. "Retained earnings" include the accumulated results and transfers from other equity reserves when freed from any restrictions.

This item also contains the cumulative effect of changes in accounting standards or any corrections of errors that are accounted for in accordance with IAS 8.

### **1.m. Provisions for risks and charges (IAS 37)**

The provisions for risks and charges represent probable liabilities of an uncertain amount and/or maturity deriving from past events whose occurrence will entail a financial outflow. Provisions are only made when there is an effective obligation, legal or implicit, towards third parties which requires the use of economic resources and when a reliable estimate of the obligation can be made. The amount recognised as a provision represents the best estimate of the expense required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The effect of changes in estimate are charged to profit or loss.

Where it is expected that the financial outflow for the obligation will occur beyond the normal payment terms and the effect of discounting would be significant, the provision is represented by the present value of the future payments needed to settle the obligation, calculated at a risk-free nominal rate.

The notes to these separate financial statements illustrate the contingent liabilities represented by: (i) possible (but not probable) obligations, deriving from past events, the existence of which will only be confirmed on the occurrence or not of one or more uncertain future events not totally under the Company's control; (ii) current obligations deriving from past events, the amount of which cannot be reliably estimated or whose settlement is unlikely to be costly.

### **1.n. Revenue and income (IFRS 15)**

Service revenue is recognised when the service is provided, based on its stage of completion at the reporting date.

Dividend and interest income are recognised as follows:

- dividends, in the year in which they are collected;
- interest, using the effective interest rate method

### 1.o. Employee benefits (IAS 19)

Benefits to be paid to employees on termination of their employment and other long term benefits are not subject to actuarial valuation as the residual liability - of the post-employment benefits in particular - is not significant. In fact, the Budget Law 296/2006 made important changes to the rules governing post-employment benefits (TFR) by introducing the possibility for employees to transfer their accrued TFR from 1 January 2007 onwards to approved pension schemes.

In accordance with the standard, the company measures and records the notional cost represented by stock options recognised in the income statement among personnel expenses and distributed over the period of accrual of the benefit, with the balancing-entry in a specific equity reserve.

The cost of the option is determined at the time the plan is assigned using specific models and multiplied by the number of options that can be exercised in the reference period, the latter being determined by means of appropriate actuarial variables.

#### Stock grant plans

The stock grant plans involve the assignment free of charge of units, which are not transferable to third parties or other beneficiaries, each giving a right to be assigned one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.

The Regulations envisage a minimum holding of the shares covered by the Plan.

The shares assigned in implementation of the Plans will be made available only from treasury shares held by CIR S.p.A. The regulation states that an essential condition for the assignment of shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights and at the date they are exercised.

The fair value of rights assigned is calculated at the time of assignment in accordance with the Cox Ross Rubinstein binomial option pricing model for American options. The notional cost is recognised under "Personnel expenses" in the income statement.

### 1.p. Derivatives (IAS 32 and 39)

Derivatives are measured at fair value.

Non-hedging derivatives are classified as financial instruments measured at fair value through profit or loss - FVTPL.

The classification of a hedging derivative is formally documented, attesting to the "effectiveness" of the hedge.

For accounting purposes hedging transactions can be classified as:

- a "fair value hedge", the effects of which are recognised in the profit or loss;
- a "cash flow hedge", where the change in fair value is recognised directly in equity for the "effective" part, while the "non effective" part is recognised in the profit or loss.
- a "hedge of a net investment in a foreign operation", where any change in fair value is recognised directly in equity for the "non effective" part, while the "ineffective" part is recognised in profit or loss.

### 1.q. Translation of foreign currency items (IAS 21)

The company's functional currency is the euro and this is the currency in which its separate financial statements are prepared.

Transactions carried out in foreign currencies are initially recognised at the exchange rate on the date of the transaction.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at that date.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items measured at fair value are translated using the exchange rate at the date on which the carrying amounts were measured.

### 1.r. Earnings per share (IAS 33)

Basic earnings per share are determined by dividing profit attributable to shareholders by the weighted average number of ordinary shares in circulation during the year, excluding any treasury shares in portfolio.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in circulation to take into account those potentially deriving from the conversion of all potential ordinary shares with a diluting effect.

### 1.s. Use of estimates

The preparation of these financial statements and notes in accordance with IFRS requires management to make estimates and assumptions which affect the values of the assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities at the reporting date.

The estimates and assumptions used are based on experience and other factors considered relevant. The actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the year in which the amendment is made if the review only affects that year, or in subsequent years if the amendment affects both the current and future years.

The items mainly affected by this use of estimates are the valuation of subsidiaries and associates, deferred taxes, provisions for risks and charges and the fair value of financial instruments, stock options and stock grants.

See the notes on these specific items for further details.

### 1.t. Adoption of new standards, interpretations and amendments

#### **Application of IFRS 16**

IFRS 16 introduces a single accounting model for leases in the lessees' financial statements according to which the group, as lessee, has recognised an asset that represents the right of use of the underlying asset and a liability that reflects the obligation to pay lease liabilities.

Previously, the company used to establish whether it was a lease or contained a lease according to IFRIC 4 at the beginning of the contract. Now, in compliance with IFRS 16, the company assesses whether the contract is a lease or contains a lease on the basis of the new definition of leases. In fact, according to IFRS 16 the contract is a lease or contains a lease if, in exchange for a consideration, it transfers the right to use an identified asset for a certain period of time.

On the date of FTA of IFRS 16, the company decided to apply the practical expedient that allowed companies not to re-examine which existing transactions constituted a lease. IFRS 16 was applied only



to contracts that had previously been identified as a lease. Contracts that had not been identified as leases by applying IAS 17 and IFRIC 4 were not reassessed to establish whether or not they represented a lease under the new rules. The IFRS 16 definition of lease was therefore only applied to contracts signed or amended on or after 1 January 2019.

At the beginning of the contract or at the date of re-evaluation of a contract that contains a lease component, the company assigns the consideration to each lease and non-lease component as priced in the contract.

Therefore, as a lessee, the company previously classified leases as operating or finance depending on whether the leases substantially transfer all of the risks and rewards of ownership. In accordance with IFRS 16, the company recognises in the statement of financial position the right-of-use assets and lease liabilities for most of the leases.

However, the company has decided not to recognise the right-of-use assets and lease liabilities relating to assets of modest value. The company therefore records the lease payments due for these leases as a cost on a straight-line basis over the duration of the lease contract.

The company presents the right-of-use assets that do not satisfy the definition of property investments as right-of-use assets.

The company shows lease liabilities for rights of use under "lease liabilities" in the statement of financial position.

The company recognises the right-of-use asset and lease liability on the commencement date of the lease. The right-of-use asset is initially measured at cost, then subsequently at cost net of accumulated depreciation and impairment losses, and adjusted to reflect any increase in the lease liability.

The company measures the lease liability at the present value of the lease payments not paid on the commencement date, discounting them at its incremental borrowing rate.

The lease liability is subsequently increased by the interest that accrues on this liability and decreased by the lease payments made; it is also revalued in the event of a change in future lease payments deriving from a change in the index or rate used, in the event of change in the amount that the company expects to pay as a guarantee on the residual value or when the company changes its assessment depending on whether or not it exercises a purchase, extension or cancellation option.

The company has used the following practical expedients in applying IFRS 16 to contracts previously classified as operating leases under IAS 17.

- It has applied the exemption from recognition of right-of-use assets and lease liabilities on contracts with a duration of less than 12 months.
- It has also excluded the initial direct costs from the measurement of right-of-use assets at the date of FTA as they were considered immaterial.
- It used the experience gained in calculating the duration of leases containing extension or cancellation options.

During the initial application phase of IFRS 16, the company recognised right-of-use assets and lease liabilities of € 0.6 million.

The following table summarises the effects of the application of IFRS 16 at 1 January 2019.

## STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.12.2018	01.01.2019	Difference
Right-of-use assets	--	616	616
Other assets - current assets	18,876	18,850	(26)

LIABILITIES	31.12.2018	01.01.2019	Difference
Lease liabilities - non-current liabilities	--	483	483
Lease liabilities - current liabilities	--	107	107

As a result of this different classification of the lease instalments, the company's income statement for 2019 recorded an improvement in gross operating profit (EBITDA) of € 0.2 million and an increase in depreciation for the same amount.

### Other International Financial Reporting Standards

- Amendment to IFRS 9 "Prepayment Features with Negative Compensation" (published on 12 October 2017 and endorsed by the European Commission in March 2018). The amendment proposes that the financial assets with a prepayment features that may result in negative compensation are eligible at amortised cost method or fair value through other comprehensive income, depending on the business model adopted.
- IFRIC 23 – Uncertainty over income tax treatments. In June 2017, the IASB published IFRIC 23 - Uncertainty over income tax treatments. The interpretation clarifies the application of recognition and measurement requirements under IAS 12 Income Taxes when there is uncertainty about the tax treatment.
- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017). The amendment clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture, which, in substance, form part of the net investment in the associated company or joint venture. The amendment also provides that IFRS 9 should be applied to these interests before the application of IAS 28, so that the entity does not take into account any adjustments to the long-term interests deriving from application of IAS 28.
- "Annual Improvements to IFRS 2015-2017 Cycle" (published on 12 December 2017). The changes introduced, which are part of the normal process of rationalisation and clarification of international financial reporting standards, concern the following: IAS 12 Income Taxes, IAS 23 Borrowing Costs and IFRS 3 Business Combination.
- Amendment to IAS 19 - "Plan Amendment, Curtailment or Settlement" (published in February 2018). The amendment clarifies that the actuarial assumptions used in measuring the net liabilities/assets for defined benefits have to be updated any time there is a change in the defined benefit plan, so the cost related to current employment contracts and the net interest of the period between the date of the plan change and the reporting date must be calculated on the basis of the new actuarial assumptions.
- Materiality: the definition of materiality in IAS 1 has been improved in order to identify whether a piece of information, a transaction or an event has to be disclosed to users of the financial statements. The amendments are effective from 1 January 2020.
- Amendments to the Conceptual Framework. In March 2018, the IASB published a new version of the "Conceptual Framework for Financial Reporting" or, more briefly, the "Conceptual Framework", which replaced the previous document published in 2001, and partially revised in 2010. The Conceptual Framework explains the basic concepts underlying financial reporting in accordance with IFRS. Its purpose is to help the IASB in developing new accounting standards, preparers of

financial statement in defining an accounting principle in the absence of a specific IFRS and all those who have to understand and interpret IFRSs [CF.SP1.1]. The new Conceptual Framework is not subject to endorsement by the European Union, because it is a document that only provides a conceptual framework for IFRSs and is not in itself an accounting standard. The amendments are effective from 1 January 2020.

These amendments/improvements/interpretations did not have significant effects for the company.

#### **Standards, amendments and interpretations of IFRS not yet endorsed by the European Union:**

At the reporting date, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following amendments and standards. The Directors are currently assessing the potential effects of these amendments on the company's consolidated financial statements.

- Business: the definition of a business according to IFRS 3 has been clarified, providing specific guidelines for its correct application, distinguishing the acquisition of a "business" from the acquisition of a "group". The amendments are effective from 1 January 2020.
- IFRS 17 – Insurance contracts. The date on which it will come into force has been postponed to 1 January 2022.
- Classification of liabilities as current and non-current (amendment to IAS 1).

## **2. Financial instruments**

The company has applied IFRS 9 Financial Instruments from 1 January 2018 (date of first-time adoption), with the exception of the provisions on hedge accounting as it continues to apply the provisions of IAS 39 for all hedges already designated in hedge accounting at 31 December 2017. Impairment losses of financial assets are presented in a separate item in the statement of profit or loss and other comprehensive income.

#### Recognition and measurement

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised on the trading date, i.e. when the company becomes a contractual party in the financial instrument.

Except for trade receivables that do not contain a significant element of financing, financial assets are initially recognised at fair value, increased or decreased in the case of financial assets or liabilities not measured at FVTPL by the transaction costs directly attributable to the acquisition or issue of the financial assets. At the time of initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

The following table shows the breakdown of the categories of financial assets and liabilities shown in the financial statements and their classification:

Category of financial assets and liabilities	Classification
<b>NON-CURRENT ASSETS</b>	
OTHER ASSETS	Amortised cost
OTHER FINANCIAL ASSETS	FVTPL
<b>CURRENT ASSETS</b>	
OTHER ASSETS	Amortised cost, expected loss for counterparty risk
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk
<b>NON-CURRENT LIABILITIES</b>	
LEASE LIABILITIES	Cost
<b>CURRENT LIABILITIES</b>	
BANK LOANS AND BORROWINGS	Amortised cost
LEASE LIABILITIES	Cost
OTHER LIABILITIES	Amortised cost

#### Classification and subsequent measurement – Financial assets

At the time of initial recognition, a financial asset is classified based on its measurement: amortised cost; fair value recognised through other comprehensive income (FVOCI) - debt security; FVOCI – equity instrument; or at fair value through profit or loss for the year (FVTPL).

Financial assets are not reclassified after their initial recognition, unless the company changes its business model for managing financial assets. In this case, all of the financial assets involved are reclassified on the first day of the first year following the change in business model.

A financial asset must be measured at amortised cost if both of the following conditions are met and the asset is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective to hold financial assets in order to collect their contractual cash flows; and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

A financial asset has to be measured at FVOCI if both the following conditions are met and it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved by collecting contractual cash flows, as well as by selling the financial assets; and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the principal amount to be repaid.

At the time of initial recognition of an equity instrument not held for trading purposes, the company can make the irrevocable decision to show subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. At the time of initial recognition, the company can irrevocably designate the financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise result from measuring financial assets at amortised cost or at FVOCI.

The company assesses the objective of the business model in which the financial asset is held at portfolio level, as it best reflects the way in which the asset is managed and the information communicated to management. This information includes:

- the criteria and objectives of the portfolio and the practical application of these criteria, including, among others, if management's strategy is based on obtaining interest income from the contract, on maintaining a specific interest rate profile, on aligning the duration of the financial assets to that of the related liabilities or on the expected cash flows or on collecting the cash flows by selling the assets;
- the methods for assessing the performance of the portfolio and the methods of communicating the performance to Company executives with strategic responsibilities;
- the risks that affect the performance of the business model (and of the financial assets held in it) and the way in which these risks are managed;
- the methods of remuneration of company executives (for example, if the remuneration is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, value and timing of sales of financial assets in previous years, the reasons for selling and expectations regarding future sales.

Transfers of financial assets to third parties as part of transactions that do not result in derecognition are not considered sales for the purposes of evaluating the business model, in line with the Company maintaining these assets in the financial statements.

Financial assets that meet the definition of financial assets held for trading or whose performance is measured on the basis of their fair value are measured at FVTPL.

Financial assets measured at FVTPL are subsequently measured at fair value. Net gains and losses, including dividends or interest received, are recognised in profit or loss for the year.

Financial assets measured at amortised cost are subsequently measured at amortised cost in accordance with the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year, as are any gains or losses on derecognition.

Debt securities measured at FVOCI are subsequently measured at fair value. Interest income calculated in accordance with the effective interest rate method, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year. Other net gains and losses are recognised in other comprehensive income. At the time of derecognition, the gains or losses accumulated in other comprehensive income are reclassified to profit or loss for the year.

Equity measured at FVOCI are subsequently measured at fair value. Dividends are recognised in profit or loss for the year, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss for the year.

Classification and subsequent measurement – Financial liabilities:

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified under FVTPL when it is held for trading, represents a derivative or is designated as such at the time of initial recognition.

FVTPL financial liabilities are measured at fair value and any changes, including interest expense, are recognised in profit or loss for the year. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and exchange gains and losses are recognised in profit or loss for the year, as are any gains or losses on derecognition.

## Derecognition - Financial assets and liabilities

Financial assets are eliminated from the financial statements (or "derecognised") when the contractual rights to the cash flows deriving from them expire, when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and benefits deriving from ownership of the financial asset are transferred or when the company does not transfer or substantially maintain all the risks and benefits deriving from ownership of the financial asset and does not maintain control of the financial asset.

The Company is involved in transactions that involve the transfer of assets recognised in its statement of financial position, but retains all or substantially all the risks and benefits deriving from the asset transferred. In these cases, the transferred assets are not derecognised.

The company proceeds with derecognition of a financial liability when the obligation specified in the contract has been settled or cancelled, or if it has expired. The Company also derecognises a financial liability if the related contractual terms change and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on the modified contractual terms.

The difference between the carrying amount of the extinguished financial liability and the amount paid (including assets not represented by liquid assets transferred or liabilities assumed) is recognised in profit or loss for the year.

## Impairment losses

The company recognises loss allowances for expected credit losses relating to:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- assets deriving from contracts.

The company measures the loss allowances at an amount equal to the expected losses throughout the entire life of the receivable, except as indicated below, for the following twelve months:

- debt securities with a low credit risk at reporting date; and
- other debt securities and bank current accounts for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly after initial recognition.

Loss allowances on trade receivables and assets deriving from contracts are always measured at an amount equal to the expected losses throughout the life of the asset.

To establish whether the credit risk on a particular financial asset has increased significantly since initial recognition in order to estimate expected losses, the company takes into consideration information that is reasonable and provable, but also relevant and available without excessive cost or effort. Quantitative and qualitative information and analyses are included, based on the company's historical experience, credit assessment and forward-looking information').

Expected losses on long-term loans are the losses expected on receivables deriving from all possible defaults during the entire estimated life of a financial instrument.

Expected losses on assets at 12 months are the losses expected on receivables deriving from possible defaults within 12 months from the reporting date (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be taken into consideration in evaluating expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

At each reporting date, the company assesses whether the financial assets measured at amortised cost and the debt securities measured at FVOCI have suffered impairment. A financial asset is 'impaired' when one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Observable data relating to the following events constitute evidence that the financial asset has deteriorated:

- significant financial difficulties on the part of the issuer or debtor;
- a breach of contract, such as a default or a deadline not met for more than 90 days;
- restructuring of a debt or an advance by the Company on terms that the group would not otherwise have taken into consideration;
- there is a likelihood that the debtor will declare bankruptcy or some other financial restructuring procedure;
- the disappearance of an active market for that financial asset due to financial difficulties.

Loss allowances on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowances is accrued through profit or loss for the year and recognised in other comprehensive income.

#### Fair value

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.

The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required. For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the company has access (mark to market).

A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.

If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the company will assess the fair value using another measuring technique, such as:

- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- measurements performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (Mark to Model). The company uses measurement models (mark to model) that are generally accepted and used by the market. The models include techniques based on the discounting of future cash flows and estimates of volatility (if there is an optional component); these are subject to revision from time to time in order to ensure consistency with the objectives of the measurement.

These methods use inputs based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile.

As a further guarantee of the objectivity of measurements derived from measurement models, the company uses fair value adjustments (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the measurement models used and counterparty risk.

The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, a price quoted in an active market is available, the other measurement techniques cannot be used.

As regards the determination of the fair value of derivative contracts, default risk, which is reflected through credit value adjustments (CVA) and debit value adjustments (DVA), has to be taken into consideration.

In particular there are three levels:

- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on measurement models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly);
- Level 3: the fair value of instruments classified in this level is determined based on measurement models that primarily use inputs that cannot be observed in active markets. The measurements are based on various inputs, not all directly derived from observable market parameters, and involve estimates and assumptions on the part of the evaluator.

### 3. Change in accounting policies, estimates and errors

The criteria for making estimates and measurements are reviewed periodically, based on historical experience and other factors such as expectations of possible future events that are reasonably likely to take place.

If first-time adoption of a standard affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rules, the nature of the change, a description of the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.

If a voluntary change of a standard affects the current or previous year, the effect is shown by indicating the nature of the change, the reasons for adopting the new standard, and the amount of any adjustments to years prior to those being presented.

In the event of a new standard or interpretation issued but not yet in force, an indication is given of the fact, its potential impact, the name of the standard or interpretation, the date on which it will come into force and the date of its first-time adoption.

A change in accounting estimates involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement.

Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting year after they were discovered.



## Statement of financial position

### 4. Non-current assets

#### 4.a. Intangible assets

2018	Opening position			Movements during the year					Closing position		
	Original cost	Accumulated amortisation and write-downs	Balance at 31.12.2017	Acquisitions	Reclassifications	Disposals	Amortisation and write-downs		Original cost	Accumulated amortisation and write-downs	Balance at 31.12.2018
						cost	accum. amort.				
<i>(in thousands of euro)</i>											
Concessions, licences, trademarks and similar rights	942	(926)	16	11	--	--	--	(12)	953	(938)	15
Assets under development and payments on account	50	--	50	--	--	--	--	--	50	--	50
<b>Total</b>	<b>992</b>	<b>(926)</b>	<b>66</b>	<b>11</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(12)</b>	<b>1,003</b>	<b>(938)</b>	<b>65</b>

2019	Opening position			Movements during the year					Closing position		
	Original cost	Accumulated amortisation and write-downs	Balance at 31.12.2018	Acquisitions	Reclassifications	Disposals	Amortisation and write-downs		Original cost	Accumulated amortisation and write-downs	Balance at 31.12.2019
						cost	accum. amort.				
<i>(in thousands of euro)</i>											
Concessions, licences, trademarks and similar rights	953	(938)	15	15	--	--	--	(8)	968	(946)	22
Assets under development and payments on account	50	--	50	--	--	--	--	--	50	--	50
<b>Total</b>	<b>1,003</b>	<b>(938)</b>	<b>65</b>	<b>15</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(8)</b>	<b>1,018</b>	<b>(946)</b>	<b>72</b>

#### AMORTISATION RATES

Description	%
Concessions, licences, trademarks and similar rights	5-30 %

#### 4.b. Property, plant and equipment

2018				Movements during the year					Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2017	Acquisitions	Reclassifications	Disposals cost	accum. amort.	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2018
<i>(in thousands of euro)</i>											
Land	723	--	723	--	--	--	--	--	723	--	723
Buildings	4,251	(4,171)	80	--	--	--	--	(6)	4,251	(4,177)	74
Plant and machinery	1,037	(954)	83	33	--	--	--	(33)	1,070	(987)	83
Other assets	3,448	(2,990)	458	110	--	(9)	9	(147)	3,549	(3,128)	421
Assets under construction and payments on account	--	--	--	851	--	--	--	--	851	--	851
<b>Total</b>	<b>9,459</b>	<b>(8,115)</b>	<b>1,344</b>	<b>994</b>	<b>--</b>	<b>(9)</b>	<b>9</b>	<b>(186)</b>	<b>10,444</b>	<b>(8,292)</b>	<b>2,152</b>

2019				Movements during the year					Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2018	Acquisitions	Reclassifications	Disposals cost	accum. amort.	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2019
<i>(in thousands of euro)</i>											
Land	723	--	723	--	--	--	--	--	723	--	723
Buildings	4,251	(4,177)	74	2,937	850	--	--	(61)	8,038	(4,238)	3,800
Plant and machinery	1,070	(987)	83	116	--	--	--	(48)	1,186	(1,035)	151
Other assets	3,549	(3,128)	421	343	1	(35)	22	(146)	3,858	(3,252)	606
Assets under construction and payments on account	851	--	851	--	(851)	--	--	--	--	--	--
<b>Total</b>	<b>10,444</b>	<b>(8,292)</b>	<b>2,152</b>	<b>3,396</b>	<b>--</b>	<b>(35)</b>	<b>22</b>	<b>(255)</b>	<b>13,805</b>	<b>(8,525)</b>	<b>5,280</b>

Property, plant and equipment went from € 2,152 thousand at 31 December 2018 to € 5,280 thousand at 31 December 2019. The increase is mainly due to the restructuring works at the company's headquarters finished in September.

#### DEPRECIATION RATES

Description	%
Buildings and investment property	3.00 %
Plant and machinery	10.00 – 25.00 %
<i>Other assets:</i>	
- Electronic office equipment	20.00 %
- Furniture and fittings	12.00 %
- Motor vehicles	25.00 %

#### 4.c. Investment property

<b>2018</b>  (in thousands of euro)	Opening position			Movements during the year					Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2017	Acquisitions	Reclassifications	Disposals		Depreciation and impairment losses	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2018
						cost	accum. depr.				
	20,673	(6,782)	13,891	--	--	--	--	(583)	20,673	(7,365)	13,308

<b>2019</b>  (in thousands of euro)	Opening position			Movements during the year					Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2018	Acquisitions	Reclassifications	Disposals		Depreciation and impairment losses	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2019
						cost	accum. depr.				
	20,673	(7,365)	13,308	--	--	--	--	(583)	20,673	(7,948)	12,725

Investment property went from € 13,308 thousand at 31 December 2018 to € 12,725 thousand at 31 December 2019 due to depreciation for the year.  
The item includes "Land" for € 1,238 thousand.

The market value (€ 28.6 million) is considerably higher than the carrying amount.

#### 4.d. Right-of-use assets

2019	Opening position			Movements during the year					Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 01.01.2019	Acquisitions	Reclassifications	Disposals		Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31.12.2019
(in thousands of euro)						cost	accum. depr.				
Buildings	501	--	--	--	--	--	--	(120)	501	(120)	381
Other assets	115	--	--	56	--	--	--	(60)	171	(60)	111
<b>Total</b>	<b>616</b>	<b>--</b>	<b>--</b>	<b>56</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(180)</b>	<b>672</b>	<b>(180)</b>	<b>492</b>

The right-of-use assets amount to € 492 thousand at 31 December 2019. During the year there were increases for € 56 thousand and depreciation for € 180 thousand.

#### 4.e. Equity investments

A list of equity investments, including changes in the respective carrying amounts during the year, is shown below:

OPENING POSITION					MOVEMENTS DURING THE YEAR					CLOSING POSITION	
31.12.2018		Reclassifications			Increases		Decreases		Write-downs /Revaluations Reversals	31.12.2019	
no. shares	amount	no. shares	amount		no. shares	amount	no. shares	amount	amount	no. shares	amount
<b>Subsidiaries</b>											
GEDI GRUPPO EDITORIALE S.p.A.	222,705,235	273,600	(222,705,235)	(273,600)	--	--	--	--	--	--	--
SOGEFI S.p.A.	66,788,988	109,107	--	--	--	--	--	--	--	66,788,988	109,107
KOS S.p.A.	52,669,551	163,021	--	--	--	--	--	--	--	52,669,551	163,021
CIR INVESTIMENTI S.p.A.	12,426,162	188,205	--	--	--	--	--	--	--	12,426,162	188,205
CIR INTERNATIONAL S.A.	1,500,000	21,112	--	--	--	--	--	--	--	1,500,000	21,112
NEXENTI ADVISORY S.r.l.	100,000	328	--	--	--	--	--	--	(21)	100,000	307
CIGA LUXEMBOURG S.A.R.L.	1,000	432	--	--	--	--	--	--	(111)	1,000	321
NEXENTI S.r.l.	50,000	361	--	--	--	--	--	--	(216)	50,000	145
IEPL – INSTITUT D'ECOLE PRIMAIRE LEMAN S.A. in liquidation	3,495,000	18	--	--	--	--	(3,495,000)	(18)	--	--	--
<b>Total subsidiaries</b>	<b>756,184</b>	<b>(273,600)</b>					<b>(18)</b>	<b>(348)</b>		<b>482,218</b>	
<b>Other companies</b>											
C IDC S.p.A. (in liquidation and in composition with creditors)	1,231,319	--	--	--	--	--	--	--	--	1,231,319	--
FILIPPO FOCHI S.p.A. (in receivership)	409,250	--	--	--	--	--	--	--	--	409,250	--
IST. EDIL. ECONOM. POPOLARE S.r.l.	1,350	--	--	--	--	--	--	--	--	1,350	--
<b>Total other companies</b>	<b>--</b>	<b>--</b>					<b>--</b>	<b>--</b>		<b>--</b>	
<b>Total equity investments</b>	<b>756,184</b>	<b>(273,600)</b>					<b>(18)</b>	<b>(348)</b>		<b>482,218</b>	

## LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31 DECEMBER 2019

(ART. 2427 no. 5 Italian Civil Code)

(in thousands of euro)

Name	Registered office	Share/quota capital	Total equity Profit (loss) for the year	% held	Carrying amount
GEDI GRUPPO EDITORIALE S.p.A. (***)	Rome	76,304	293,658 (155,181)	43.78 (*)	102,444
SOGEFI S.p.A.	Mantua	62,461	211,695 7,740	55.60 (**)	109,107
CIR INVESTIMENTI S.p.A.	Milan	19,426	192,323 2,802	100.00	188,205
CIR INTERNATIONAL S.A.	Luxembourg	15,000	71,830 1,606	100.00	21,112
KOS S.p.A.	Milan	8,848	47,794 (8,129)	59.53	163,021
NEXENTI ADVISORY S.r.l.	Milan	100	307 (21)	100.00	307
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000	321 (111)	100.00	321
NEXENTI S.r.l.	Milan	50	128 (235)	100.00	145

(\*) 45.44% of voting rights

(\*\*) 56.67% of voting rights

(\*\*\*) The carrying amount is recorded in "Assets held for sale"

The balance of "Equity investments" has decreased by € 273,966 thousand compared with the end of 2018.

The equity investment in GEDI Gruppo Editoriale S.p.A. has been reclassified for an amount of € 273,600 thousand, under item 5.c. "Assets held for sale", to which reference should be made for further information, and measured at fair value less costs to sell based on IFRS 5.

Note that the liquidation of the subsidiary IEPL - Institut D'Ecole Primaire Leman SA was finalised in July.

As required by IFRS the investments were tested for impairment to see whether there was objective evidence that their carrying amount could not be fully recovered.

For the purposes of carrying out the impairment test for the separate financial statements, the individual investments held by the company were divided into those that act as a holding company for their sector and the other investments.

In order to perform the impairment test, the recoverable amount of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to its value in use or its fair value less costs of disposal, also considering - where applicable in the specific circumstances - the guidelines contained in the document entitled "Impairment testing of goodwill in the context of crises in financial markets and the real economy: guidelines" issued by the O.I.V. (Italian Valuation Board).

Value in use was calculated by discounting to present value future cash flows generated by the unit in the production phase and at the time of its disposal, using an appropriate discount rate (discounted cash flow or DCF method). More specifically, in accordance with what is required by international financial reporting standards, to test the value, cash flows were considered without taking into account inflows and outflows generated by financial management or any cash flows relating to tax management. The cash flows to be discounted are therefore distinctive, unlevered operating cash flows (as they refer to individual units).

The cash flows of the single operating units are extrapolated from the budgets and forecasts made by the management of the operating units concerned and approved by the respective Boards of Directors. These plans were then processed on the basis of economic trends recorded in previous years and using the forecasts made by leading analysts on the outlook for the respective markets and more in general on the trend of each business segment.

To give a fair estimate of a CGU's value in use, we had to assess its expected future cash flows, expected changes in the amount and timing of these flows, the discount rate to be used and any other risk factors affecting the unit.

In order to determine the discount rate to be used, we calculated the weighted average cost of capital (WACC) invested at sector level, regardless of the financial structure of the individual company or subgroup.

The values used to calculate WACC (taken from leading financial sources) were the following:

- return on risk-free assets: for the KOS group this is equal to the twelve-month average of the rates of return on Italian 10-year debt securities (source: Bloomberg) and for the Sogefi group the annual average of 10-year debt securities of the main countries in which the group operates, weighted on the basis of revenue;
- market equity risk premium: measured as a long-term historical yield differential between equity and bonds on mature financial markets;
- Unlevered Beta: determined with reference to the Beta of comparable companies in the sector;
- financial structure: the structure of the financial sources used for weighting the cost of capital was determined on the basis of a market debt ratio ( $D/(D+E)$ ), taken from a sample of comparable companies in the sector;
- dimensional risk premium: based on long-term observations of the yield premium associated with an investment in the risk capital of a medium-sized company (source: Ibbotson Associates)

The fair value less costs to dispose of an asset or group of assets (e.g. a CGU) is best expressed in the price established by a "binding sale agreement in an arm's length transaction", net of any direct disposal costs. If this information is not available, the fair value net of costs to sell is determined in relation to the following trading prices, in order of importance:

- the current price traded on an active market;
- prices for prior similar transactions executed previously;
- the estimated price based on information obtained by the company.

The recoverable amount of each asset is estimated with reference to the higher of its fair value less costs of disposal or its value in use, if both are available.

#### Summary of the results of impairment testing

The impairment test carried out on the equity investments held by the Healthcare and Automotive sectors ascertained that there are no impairment losses.

However, considering that the recoverable amount is determined on the basis of estimates, the group cannot guarantee that they will not be impaired in future years. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.

The tests performed in relation to each sector are described below.

#### Automotive sector (SOGEFI group)

Consistent with the prior year and for the sole purpose of determining value in use, the operating cash flows generated by the Sogefi group have been considered, consistent with the approach taken by the management of the sub-group, in relation to the three business units that came from acquisitions:

- fluid filters;
- air filters and cooling;
- car suspension components.

The recoverability of the amounts recorded was checked by comparing the carrying amount attributed to the CGUs, including goodwill, with their recoverable amount, identified with the value in use, represented by the present value of the future cash flows estimated to derive from the continuous use of the CGUs' assets and by their terminal value.

The Unlevered DCF method was used, based on projections made in the 2020 budget (approved by the Board of Directors on 27 January 2020) and, for subsequent years, the projections included in the 2021-2024 Plan (adjusted to exclude the expected benefits of future projects and reorganisations), as approved by the Board of Directors on 24 February 2020. The budget and the plan have been developed taking account of forecasts for the automotive industry, as elaborated by the most important sector sources.

The discount rate based on the weighted average cost of capital is equal to 8.82%.

The discount rate used for the cash flows was the same for all three business units. In fact, the risk is considered the same based on the fact that the divisions in question operate in the same sector and with the same type of customer.

Lastly, the terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% (which is considered prudent when compared with the forecasts for the performance of the automotive sector developed by the most important sources in the sector as of 31 December 2019) and an operating cash flow based on the last year of the multi-year business plan (2024), adjusted to project a stable situation into perpetuity, using the following main hypotheses:

- an overall balance between investments and depreciation/amortisation (considering a level of investment necessary to "maintain" the business);
- a zero change in working capital.

The average cost of capital is the result of calculating the weighted average of the cost of debt (based on benchmark rates plus a spread) and the cost of the company's own capital, based on parameters for a sample of companies operating in the European automotive components sector that are considered Sogefi's peers by the main financial analysts who follow this business segment. The figures used in calculating the average cost of capital were as follows:

- financial structure of the sector: 30.8%;
- levered beta of the sector: 1.29%;
- risk-free rate: 3.5% (annual average for 10-year risk-free government bonds of the countries in which the group operates, weighted on the basis of revenue);
- risk premium: 6.3% (average risk premium, calculated by an independent source, of the main countries in which the group operates, weighted on the basis of revenue);
- spread on the cost of debt: 3% (estimated on the basis of the 2020 budget).

In terms of sensitivity analyses, we would point out that:

- the impairment test reaches a level of breakeven with the following discount rates (leaving the growth rate of the terminal value at 2% and all the other assumptions of the plan unchanged): 13.6% for the Filtration CGU, 24.8% for the Air and Cooling CGU and 11.0% for the Car Suspension Components CGU;
- the impairment test reaches a level of break even with a significant reduction in operating profit in the explicit period of the plan which also has a knock-on effect on the terminal value (leaving all the other assumptions of the plan unchanged): -43% for the Filtration CGU, -72.5% for the Air and Cooling CGU and -27.1% for the Car Suspension Components CGU;
- the impairment test reaches a level of break even with the following rates of reduction ( "g- rate") in the terminal value (keeping all the other assumptions of the plan the same): -5.4% for the



Filtration CGU, -53% for the Air and Cooling CGU and -0.8% for the Car Suspension Components CGU.

A second level impairment test has also been carried out on the company as a whole to verify the recoverability of the carrying amount of all the CGUs and of the corporate costs/assets of the business as a whole, not allocated at CGU level. The second level impairment test was made by considering the sum of the cash flows of each CGU, already tested during the first level impairment test, including not only the assessment of unallocated costs, but also the cash flows of the Industrial Vehicles Suspension Components and the Precision Springs CGUs. This involved estimating the present value of corporate costs (not allocated to the CGUs); the present value of these costs has been considered as a reduction in the overall value of the company and has been estimated using after-tax cash flows and an after-tax discount rate similar to those used in the first level test. For the projection of corporate costs and the determination of cash flows, we have used criteria in line with those applied for the first level impairment test in terms of the explicit forecast period and in terms of growth (beyond the explicit forecast period).

The test carried out on the present value of projected cash flows shows that the Sogefi CGU has a value in use that exceeds its carrying amount; no impairment loss was therefore recognised.

#### Healthcare (KOS group)

The company has allocated all of the goodwill to a single "Healthcare" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs according to the approach taken by management of the KOS sub-holding. In order to check for any impairment in the value of goodwill and other non-current assets shown in the consolidated financial statements, the value in use of the CGUs to which the goodwill had been allocated at the KOS sub-group level was calculated.

In application of the methodology set out in IAS 36, the KOS group identified the CGUs which represent the smallest identifiable group of assets able to generate broadly independent cash flows in its own consolidated financial statements. To identify the CGUs we took into account the organisational structure, the type of business and the ways in which control is exercised over the operations of the CGUs.

The group operates in two different strategic business areas, namely Long-Term Care and Hospital Management, which in turn are broken down into three operating segments; Long-Term Care (Rehabilitation and management of care homes), Acute (Hospital of Suzzara) and Diagnostics and Cancer Cure (under the Medipass brand). The CGUs identified by KOS's management at the sub-holding level are the following:

- in the "Long-Term Care" sector, CGUs have been identified at regional and national level and in particular: Lombardy, Piedmont, Tuscany, Liguria, Emilia Romagna, Veneto, Marche, Lazio, Trentino, Campania, Umbria and Germany;
- in the "Acute" sector, the only CGU to be identified is Ospedale di Suzzara;
- in the "Diagnostics and Cancer Cure" sector (reference brand: Medipass), they have been identified by country: Italy, UK and India.

The recoverability of the amounts recognised was checked by comparing the carrying amount attributed to the CGUs, including goodwill, with their recoverable amount, identified with the value in use, represented by the present value of the future cash flows estimated to derive from the continuous use of the CGUs' assets and by their terminal value.

More specifically, the chart shows the values of goodwill allocated to the operating sectors by the management of KOS and any other items of goodwill allocated to the Healthcare sector that constitute

a single CGU at group level. Although goodwill was also tested at a lower level, the level of allocation of the "Healthcare" CGU is considered significant because it confirms the strategic enterprise vision that CIR's Directors have with regard to the specific characteristics of the sector that the KOS group belongs to.

<i>(in thousands of euro)</i>	<i>31.12.2019</i>
Long Term Care	352,922
Diagnostics and Cancer Cure	35,841
Corporate	516
Additional goodwill allocated to the Healthcare CGU	943
<b>Total</b>	<b>390,222</b>

In developing the impairment test, the most recent forecast data were used relating to the economic-financial evolution based on the projections drawn up in the 2020 budget and, for subsequent years, the forecasts included in the 2021-2024 plan approved by the Board of Directors on 25 February 2020. In calculating the projections, management made various hypotheses based on past experience and expectations regarding the development of the sectors in which the group operates.

To calculate the terminal value we used a growth rate of 1.5% in Italy, 2% in the UK, 1.9% in Germany and 4.2% in India, in line with the average long-term rate of growth in production, the reference sector and the country in which the company operates.

The discount rate used reflects the current market valuations of the cost of money and takes into account the specific risks of the business. This discount rate net of taxation (after-tax WACC) is 5.61% for the activities in Italy, 5.07% for those in the UK, 4.45% for those in Germany and 8.42% for those in India.

The risk-free rate was determined on the basis of the annual average of 10-year government bonds, to which a coefficient of 1.75% was added to take dimensional risk into account.

Over the last few years there have been some legislative measures to reduce public spending, health spending in particular. On the basis of the best information available, the business plan includes the considerations made by KOS's management on these measures; consequently, the estimates made with regard to the recoverability of intangible assets (goodwill, in particular) and property, plant and equipment, consider the effect of these measures on prospective profitability.

The tests performed did not reveal any impairment losses.

Considering that the recoverable amount is determined on the basis of estimates, the group cannot guarantee that goodwill will not be impaired in future years. Given the persistence of the market crisis context, the various factors used in preparing the estimates could be reviewed.

The group set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable amounts (discount rate, growth rate, terminal value), determining the level of these variables that make the value in use equal to the carrying amount, as shown below:

Long Term Care: the sensitivity analysis elaborated on the first level of the test (Region) shows positive results even with a growth rate of zero and a WACC appreciably higher than the one used in the test on all the regions considered, with the exception of Piedmont, Liguria, Tuscany, Lazio, Veneto, Umbria and Campania, for which the cover is negative if we use a growth rate (g) of zero.

Diagnostics and Cancer Cure: the sensitivity analysis shows positive results even considering a growth rate of zero and a WACC appreciably higher than that used in the test for all the countries considered in the first level of the test. Further scenarios based on a deterioration in the most sensitive variables are not significant, given that the sector in question operates mainly on the basis of contracts already acquired.

Moreover, in line with the analyses carried out by the KOS sub-holding, the group also set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable amounts (discount rate, growth rate, terminal value). These analyses, carried out at the testing levels mentioned previously (regions and operating sectors, and therefore at the level of the Healthcare CGU) did not reveal any problems or situations where the carrying amount was significantly higher than the recoverable amount, even using a growth rate of zero and a considerably higher WACC than the one used in the test.

Lastly, it should be noted that the results obtained from the analyses carried out for determining the value in use of the Healthcare CGU have also found broad confirmation from the fair value expressed by industry analysts.

As for the other investments, the tests did show that there was a need for value adjustments to a number of the investee companies, in particular Nexenti Advisory S.r.l. (€ 21 thousand), Nexenti S.r.l. (€ 216 thousand) and CIGA Luxembourg S.a.r.l. (€ 111 thousand).

#### **4.f. Other assets**

"Other assets" at 31 December 2019 amount to € 69,975 thousand (€ 80,004 thousand at 31 December 2018) and refer for € 7,548 thousand to the loan granted to the subsidiary CIR International S.A. (€ 11,405 thousand at 31 December 2018). The rate applied to this loan is 1.662% (6m Euribor + spread). Repayments were made during the year for € 4,000 thousand. This item also includes € 61,236 thousand (€ 67,572 thousand at 31 December 2018) relating to the loan granted to the subsidiary CIR Investimenti S.p.A. Repayments were made during the year for € 7,000 thousand. The rate applied to this loan is 1% (3m Euribor + spread).

#### **4.g. Other financial assets**

The balance at 31 December 2019 amounted to € 6,329 thousand (€ 11,335 thousand at 31 December 2018) and refers to the following investments;

- € 4,329 thousand (€ 4,157 thousand at 31 December 2018) related to the investment in the TH Aereo CO Invest S.C.A. fund. The measurement of this fund at fair value resulted in a positive valuation, recorded in the income statement under item 18 "Net fair value gains (losses) on financial assets", for an amount of € 221 thousand. During the year, part of the investment was repaid for an amount of € 50 thousand which produced a loss of € 11 thousand recognised under item 17 "Losses from trading securities";
- € 2,000 thousand relating to the investment in Lendix Société Anonyme.

At 31 December 2018 these items included € 5,178 thousand relating to the investment in the TH CO Invest SCA fund, which was repaid during the year. The repayment led to a loss of € 1,228 thousand recognised under item 17 "Losses from trading securities".

With regard to the disclosure required by IFRS 9, it should be noted that the fair value of the investment in the TH Aereo CO Invest S.C.A. fund was determined based on measurement models that use observable inputs on active markets (Level 2), while the fair value of the investment in Lendix Società

Anonyme was determined on the basis of measurement models that use mainly inputs that cannot be observed on active markets (Level 3).

#### 4.h. Deferred tax assets and liabilities

The breakdown of "Deferred tax assets and liabilities" by type of temporary difference is as follows:

<i>(in thousands of euro)</i>	31.12.2019		31.12.2018	
	<i>Total temporary differences</i>	<i>Tax effect</i>	<i>Total temporary differences</i>	<i>Tax effect</i>
<b>Deductible temporary differences from:</b>				
Tax losses	--	--	--	--
<b>Total deferred tax assets</b>	--	--	--	--
<b>Taxable temporary differences from:</b>				
Revaluation of non-current assets	1,118	13	2,333	235
<b>Total deferred tax liabilities</b>	<b>1,118</b>	<b>13</b>	<b>2,333</b>	<b>235</b>
<b>Net deferred taxes</b>		<b>(13)</b>		<b>(235)</b>

The changes in "Deferred taxes" during the year were as follows:

<i>(in thousands of euro)</i>	<i>Balance at 31.12.2018</i>	<i>Use of deferred taxes from prior years</i>	<i>Deferred taxes generated in the years</i>	<i>Balance at 31.12.2019</i>
<b>Deferred tax assets:</b>				
- income statement	--	--	--	--
- equity	--	--	--	--
<b>Deferred tax liabilities:</b>				
- income statement	(235)	222	--	(13)
- equity	--	--	--	--
<b>Net deferred taxes</b>	<b>(235)</b>	<b>222</b>	<b>--</b>	<b>(13)</b>

## 5. Current assets

### 5.a. Assets

<i>(in thousands of euro)</i>	31.12.2018	31.12.2018
Tax assets	3,833	2,528
Other assets with related parties	9,816	13,112
Trade receivables	58	23
Other	3,710	3,214
<b>Total</b>	<b>17,417</b>	<b>18,877</b>

The item "Other assets with related parties" consists of:

- € 8,782 thousand relating to assets from companies that have joined the tax consolidation (€ 6,430 thousand from companies of the KOS group, € 1,801 thousand from companies of the Sogefi group and € 551 thousand from Cir Investimenti S.p.A);
- € 50 thousand for the loan granted to Nexenti S.r.l.;

- € 610 thousand of the assets from Gruppo Editoriale L'Espresso for the charge-back of fees for strategic and management support;
- € 248 thousand of the assets for the charge-back of costs incurred in the exclusive interest of Sogefi S.p.A.;
- € 123 thousand from companies that pay over directors' fees (€ 80 thousand from CIR Investimenti S.p.A., € 14 thousand from Sogefi S.p.A. and € 29 thousand from KOS S.p.A.);
- € 2 thousand from Sogefi S.p.A. for a property lease;
- € 1 thousand from persons who hold strategic positions within the company for a real estate lease.

"Tax assets" include an amount of € 1,305 thousand in IRES tax relating to the company's tax consolidation.

IFRS 7 – Additional disclosures: note that the information required does not include the item "Tax assets".

### 5.b. Cash and cash equivalents

Cash and cash equivalents decreased by € 4,257 thousand from € 7,442 thousand at 31 December 2018 to € 3,185 thousand at 31 December 2019. A breakdown of the changes is shown in the statement of cash flows.

### 5.c. Assets held for sale

On 2 December 2019, the company and EXOR signed the GEDI Sale Agreement for EXOR to buy the company's 43.78% investment in GEDI Gruppo Editoriale S.p.A., through a vehicle specifically created for the purpose and wholly owned by EXOR. Completion of the transfer of the company's investment in GEDI to EXOR is subject to the necessary approvals being given by AgCom and the pertinent antitrust authorities. Depending on the timing of the authorisation procedures, the operation is expected to be completed by the end of the first quarter of 2020.

The agreement provides for a consideration for the company of € 102,444 thousand. The transaction resulted in the recognition of a € 171,156 thousand write-downs of the equity investment in order to adjust its carrying amount to fair value, based on IFRS 5, increased by € 1,803 thousand for costs to sell. The total of these economic effects is shown for an amount equal to € 172,959 thousand in item 20 "Profit (loss) from discontinued operations".

## 6. Equity

### 6.a. Share capital

Share capital at 31 December 2019 amounted to € 397,146,183.50, the same as at 31 December 2018, and consisted of 794,292,367 shares with a nominal amount of € 0.50 each.

At 31 December 2019 the company held 153,017,459 treasury shares (19.2646% of the share capital) for an amount of € 210,177 thousand, compared with 150,113,881 treasury shares (18.8991% of the share capital) for an amount of € 207,343 thousand at 31 December 2018. The net increase was caused by the purchase of 3,156,400 shares less the exercise of stock grants involving 252,822 shares.

In application of IAS 32, treasury shares held by the parent are deducted from total equity.

The subscribed share capital is fully paid in. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

Note that for a period of five years from 29 April 2019, the Board of Directors was authorised to increase the share capital on one or more occasions by a maximum of € 500 million (nominal amount) and by a further maximum of € 11 million (nominal amount) in favour of employees of the parent and its subsidiaries and parents.

The Board of Directors also has the right for a period of five years from 29 June 2019, the date of registration in the Companies Register of the Extraordinary Shareholders' Meeting resolution, to issue, on one or more occasions, convertible bonds, also in foreign currency, if permitted by law, with a corresponding increase in share capital up to a maximum of € 500 million.

The company's controlling shareholder is CIR S.p.A. - Compagnie Industriali Riunite (formerly Cofide - Gruppo De Benedetti S.p.A.) with registered office in via Ciovassino 1 - Milan.

## 6.b. Reserves

The breakdown of the item "Reserves" is as follows:

<i>(in thousands of euro)</i>	<i>Share premium reserve</i>	<i>Legal reserve</i>	<i>Statutory reserve</i>	<i>Reserve for treasury shares</i>	<i>Revaluation reserve as per art. 6 of Legislative Decree no. 38/2005</i>	<i>Fair value reserve</i>	<i>First- time adoption of IFRS (FTA) reserve</i>	<i>Stock option and stock grant reserve</i>	<i>Reserve for future increases in capital</i>	<i>Total reserves</i>
<b>Balance at 31 December 2017</b>	<b>40,506</b>	<b>115,969</b>	<b>179</b>	<b>69,084</b>	<b>--</b>	<b>1,483</b>	<b>162,210</b>	<b>15,468</b>	<b>3</b>	<b>404,902</b>
Adjustments on FTA of IFRS 9	--	--	--	--	--	(1,483)	(50)	--	--	(1,533)
<b>Balance restated at 1 January 2018</b>	<b>40,506</b>	<b>115,969</b>	<b>179</b>	<b>69,084</b>	<b>--</b>	<b>--</b>	<b>162,160</b>	<b>15,468</b>	<b>3</b>	<b>403,369</b>
Capital increases	--	--	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of the by-laws	--	--	--	--	--	--	--	--	--	--
Equity transactions	223	--	--	5,973	--	--	--	--	--	6,196
Notional cost of stock options credited	--	--	--	--	--	--	--	1,794	--	1,794
Reclassifications	--	--	--	--	--	--	--	(3,181)	--	(3,181)
<b>Balance at 31 December 2018</b>	<b>40,729</b>	<b>115,969</b>	<b>179</b>	<b>75,057</b>	<b>--</b>	<b>--</b>	<b>162,160</b>	<b>14,081</b>	<b>3</b>	<b>408,178</b>
Capital increases	--	--	--	--	--	--	--	--	--	--
Dividends to shareholders	--	--	--	--	--	--	(25,007)	--	--	(25,007)
Retained earnings	--	--	--	--	907	--	--	--	--	907
Equity transactions	347	--	--	1,452	--	--	--	--	--	1,799
Notional cost of stock options credited	--	--	--	--	--	--	--	1,865	--	1,865
Reclassifications	--	--	--	--	(11)	--	--	(2,849)	--	(2,860)
<b>Balance at 31 December 2018</b>	<b>41,076</b>	<b>115,969</b>	<b>179</b>	<b>76,509</b>	<b>896</b>	<b>--</b>	<b>137,153</b>	<b>13,097</b>	<b>3</b>	<b>384,882</b>

It should be remembered that on 29 April 2019, the Ordinary Shareholders' Meeting voted to cancel the previous resolution of 27 April 2018 to purchase treasury shares and to give a new authorisation for eighteen months from that date to purchase a maximum of 5,750,000 treasury shares for a nominal amount of € 0.5 each, taking into account that, including treasury shares already held through subsidiaries as well, the nominal amount of the shares purchased may in no case exceed one fifth of the company's share capital.

The "Stock option and stock grant reserve" refers to the notional cost of the incentives assigned to employees and approved after 7 November 2002.

### 6.c. Retained earnings

The changes in retained earnings are shown in the "Statement of changes in equity".

#### INFORMATION AS PER ART. 2427 - 7 BIS - ITALIAN CIVIL CODE

The following chart gives a breakdown of equity items according to how they can be utilised:

(in thousands of euro)	Amount at 31.12.2019	Possible use	Amount available	Summary of uses made in the previous three years (*)		
				To cover losses	For dividend distribution	Other
SHARE CAPITAL	397,146	--	--	--	--	--
Capital reserves:						
Share premium reserve	41,076	ABC	41,076	--	--	--
Legal reserve	12,678	B	12,678	--	--	--
Capital reserve	3	A	3	--	--	--
Earnings reserves:						
Legal reserve	103,291	B	103,291	--	--	--
Statutory reserve	179	ABC	179	--	--	--
First-time adoption of IFRS (FTA) reserve	137,153	ABC	137,153	--	(25,007)	--
Stock option and stock grant reserve	13,097	ABC	13,097	--	--	--
Revaluation reserve art. 6 Leg. Decree 38/2005	896	B	896	--	--	--
Retained earnings	137,304	ABC	137,304	--	(49,887)	(29,879)
<b>TOTAL</b>	<b>842,823</b>		<b>445,677</b>	--	<b>(74,894)</b>	<b>(29,879)</b>

Key = A: for capital increases; B: to cover losses; C: for distribution to shareholders

(\*) The uses shown are those that led to a decrease in equity.



## 7. Non-current liabilities

### 7.a. Lease liabilities

This item equal to € 323 thousand and refers to lease liabilities, with maturities of more than 1 year, relating to property and car leases.

### 7.b. Employee benefit obligations

The details of this item are as follows:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Post-employment benefits (TFR)	658	640
Pension funds and similar obligations	1,100	935
<b>Total</b>	<b>1,758</b>	<b>1,575</b>

Changes in the "Post-employment benefits" provision are shown in the following chart:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Opening balance	640	651
Portion accrued	196	193
Benefits paid	(178)	(204)
Other changes	--	--
<b>Total</b>	<b>658</b>	<b>640</b>

## 8. Current liabilities

### 8.a. Lease liabilities

This item equals to € 164 thousand and refers to lease liabilities, with maturities of more than 12 years, relating to property and car leases.

### 8.b. Other liabilities

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Tax liabilities	548	3,192
Related parties	6,845	7,600
Trade payables	718	464
Other	3,437	2,203
<b>Total</b>	<b>11,548</b>	<b>13,459</b>

"Tax liabilities" of the previous year include € 2,879 thousand of IRES related to the company's tax consolidation.

The item "Related parties" refers to payables to companies which took part in the tax consolidation (€ 3,246 thousand to companies of the Sogefi group, € 3,588 thousand to companies of the KOS group, € 3 thousand to companies of Nexenti S.r.l., € 6 thousand to Nexenti Advisory S.r.l. and 2 thousand to Jupiter Market Place S.r.l.).

IFRS 7 – Additional disclosures: note that the information required refers to the items "Related parties" and "Trade payables".

#### 8.c. Provisions for risks and charges

The breakdown of these provisions and the changes during the year are as follows:

<i>(in thousands of euro)</i>	<i>Balance at 31.12.2018</i>	<i>accruals</i>	<i>Uses</i>	<i>Balance at 31.12.2019</i>
Other	4,951	--	--	4,951
<b>Total</b>	<b>4,951</b>	<b>--</b>	<b>--</b>	<b>4,951</b>

## Income statement

### 9. Sundry revenue and income

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
Services to subsidiaries	1,382	1,550
Services to the parent	100	100
Property income	799	762
Property income from related parties	222	237
Fees paid by subsidiaries	169	172
Other income and cost recoveries	27	39
<b>Total</b>	<b>2,699</b>	<b>2,860</b>

Revenue from services provided to subsidiaries and are the charge-back of fees for strategic and management support and special administrative, financial and tax assistance provided to them. The services provided to the parent were mainly of an administrative and financial nature.

Fees paid by subsidiaries refer to Cir Investimenti S.p.A. for € 120 thousand, to Sogefi S.p.A. for € 20 thousand and to KOS S.p.A. for € 29 thousand.

Real estate income from related parties refers for € 119 thousand (€ 119 thousand in 2018) to the lease contract signed with Sogefi S.p.A. and for € 103 thousand (€ 118 thousand in 2018) to lease contracts entered into with individuals with strategic positions within the company.

Revenue from services to group companies in 2019 can be broken down as follows:

<i>(in thousands of euro)</i>	2019	2018
COFIDE S.p.A.	100	100
GEDI Gruppo Editoriale S.p.A.	500	800
Sogefi S.p.A.	772	640
KOS S.p.A.	110	110
<b>Total</b>	<b>1,482</b>	<b>1,650</b>

### 10. Cost for services

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
Administrative, tax, legal and corporate consulting	3,174	1,247
Services from subsidiaries	228	298
Fees for corporate bodies	3,222	3,178
Other	1,869	1,830
<b>Total</b>	<b>8,493</b>	<b>6,553</b>

"Services from subsidiaries" are in connection with the lease contract with A. Manzoni & C. S.p.A., to rent the secondary branch offices in via Nervesa 21, Milan. The contract expired on 5 October 2019 and has not been renewed.

"Administrative, tax, legal and corporate consulting" includes an amount of € 1,642 thousand for costs relating to the CIR/Cofide merger plan.

## 11. Personnel expense

Personnel expense went from € 5,419 thousand in 2018 to € 5,618 thousand in 2019, an increase of € 199 thousand. The item includes the notional cost of € 1,865 thousand (€ 1,794 thousand in 2018) of the valuation of the stock grant of the plans currently in issue, approved after 7 November 2002.

The following chart shows the changes in the number of employees in the different categories during the year:

	31.12.2018	New hires	Resignations	31.12.2019	Average for the year
Executives	8	--	1	7	7
Middle managers and employees	13	1	--	14	14
<b>Total</b>	<b>21</b>	<b>1</b>	<b>1</b>	<b>21</b>	<b>21</b>

## 12. Other operating expense

<i>(in thousands of euro)</i>	2019	2018
Non-deductible VAT and other taxes	1,866	1,070
Miscellaneous losses and other costs	1,061	621
<b>Total</b>	<b>2,927</b>	<b>1,691</b>

## 13. Finance income

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
Interest income on bank deposits	1	4
Interest income from subsidiaries	803	1,075
Other financial income	4	12
<b>Total</b>	<b>808</b>	<b>1,091</b>

The breakdown of the interest income from subsidiaries is as follows:

<i>(in thousands of euro)</i>	2019	2018
CIR International S.A.	138	357
CIR Investimenti S.p.A.	664	716
Nexenti S.r.l.	1	2
<b>Total</b>	<b>803</b>	<b>1,075</b>

## 14. Finance costs

This item includes the following:

<i>(in thousands of euro)</i>	2018	2018
Interest on lease liabilities	14	--
Other interest expense and bank charges	108	54
<b>Total</b>	<b>122</b>	<b>54</b>

## 15. Dividends

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
<i>Dividends from related parties:</i>		
Cir Investimenti S.p.A.	2,709	2,137
Kos S.p.A.	20,894	17,265
<i>Total dividends from related parties</i>	<i>23,603</i>	<i>19,402</i>
Dividends from other companies	--	2,751
<b>Total dividends</b>	<b>23,603</b>	<b>22,153</b>

## 16. Gains from trading securities

These amount to € 64 thousand and refer to the liquidation of the subsidiary IEPL - Institut D'Ecole Primaire Leman SA.

## 17. Losses from trading securities

These amount to € 1,239 thousand and refer for € 1,228 thousand to repayment of the investment in the TH CO Invest S.C.A. fund and for € 11 thousand to partial repayment of quotas in the TH Aereo CO Invest S.C.A. fund.

In 2018 the amount referred to the finalisation of the liquidation of Emittenti Titoli S.p.A.

## 18. Fair value gains (losses) on financial assets

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
Impairment loss on investments in subsidiaries	(348)	(209)
Impairment losses on other financial assets	--	(525)
Revaluation of other financial assets	221	907
<b>Total</b>	<b>(127)</b>	<b>173</b>

For details of the "Impairment loss on investments in subsidiaries", please refer to item 4.d "Equity investments".

For details of the "Revaluation of other financial assets", please refer to item 4.f "Other financial assets".

"Impairment losses on other financial assets" in the previous year referred to the investment in TH Co Invest S.C.A. The "Revaluation of other financial assets" of the previous year referred to the investment in TH Aereo CO Invest S.C.A.

## 19. Income tax

This item includes the following:

<i>(in thousands of euro)</i>	2019	2018
Current tax	3,672	2,186
Deferred tax	222	233
Income taxes from prior years	--	--
<b>Total</b>	<b>3,894</b>	<b>2,419</b>

### RECONCILIATION BETWEEN THE THEORETICAL AND EFFECTIVE TAXES

<i>(in thousands of euro)</i>	<i>Taxable income</i>	<i>Rate %</i>	<i>Tax</i>
PROFIT BEFORE TAXES FROM CONTINUING OPERATIONS	7,622	24.0	1,829
<i>Effect of increases (decreases) compared with the ordinary rate</i>			
- Dividends	(23,467)	24.0	(5,632)
- Temporary differences deductible in future years	594	24.0	143
- Temporary differences deductible from previous years	(673)	24.0	(161)
- Non-deductible costs	2,709	24.0	650
- Deductible costs accounted for under "Profit (loss) from discontinued operations"	(1,803)	24.0	(433)
Other permanent differences	(284)	24.0	(68)
SUB-TOTAL	(15,302)	24.0	(3,672)
Tax losses of prior years absorbed by the tax consolidation	--	24.0	--
Taxable income/Income taxes	(15,302)	24.0	(3,672)

Notes: Because of its specific characteristics, IRAP has not been considered in this chart, as the company does not have any taxable income for IRAP purposes at 31 December 2019. This table therefore refers only to IRES.

## 20. Profit (loss) from discontinued operations

This item, which has a negative balance of € 172,953 thousand, refers for € 171,156 thousand to impairment loss on the investment in GEDI Gruppo Editoriale S.p.A. to adjust the carrying amount to fair value in accordance with IFRS 5, for € 1,803 thousand for costs to sell. The effects on cash flows relating to assets held for sale, negative for € 915 thousand, are shown in a specific item in the cash flow statement.

## 21. Earnings per share

Basic earnings per share are calculated by dividing the net result for the year, the result deriving from continuing operating activities and the profit (loss) from discontinued operations attributable to the

ordinary shareholders by the weighted average number of shares in circulation. Diluted earnings per share is calculated by dividing the net result for the year, the result deriving from continuing operating activities and the profit (loss) from discontinued operations attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effects of options outstanding. Treasury shares are not included in the calculation.

The parent has only one category of potential ordinary shares, those deriving from stock option and stock grant plans assigned to employees.

The dilutive effect that these ordinary shares to be issued or assigned to stock option and stock grant plans will have on earnings per share is not significant.

In calculating the average number of options, the average fair value of the shares for each financial period was used. The average fair value of each CIR ordinary share in 2019 was € 0.994 compared with an average fair value of € 1.0406 in 2018.

The following chart provides information on the shares used to calculate basic and diluted earnings per share.

#### Basic earnings per share

	2019	2018
Profit (loss) for the year attributable to the owners of the parent (in euro)	(161,443,333)	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings (loss) per share (euro)</b>	<b>(0.2517)</b>	<b>0.0218</b>
	2019	2018
Comprehensive income attributable to the owners of the parent (in euro)	(161,443,333)	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings (loss) per share (euro)</b>	<b>(0.2517)</b>	<b>0.0218</b>
	2019	2018
Profit from continuing operations attributable to the owners of the parent (in euro)	11,515,587	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings per share (euro)</b>	<b>0.0180</b>	<b>0.0218</b>
	2019	2018
Profit from continuing operations in the statement of comprehensive income attributable to the owners of the parent (in euro)	11,515,587	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings per share (euro)</b>	<b>0.0180</b>	<b>0.0218</b>
	2019	2018
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	(172,958,920)	--
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings (loss) per share (euro)</b>	<b>(0.2696)</b>	<b>n.a.</b>
	2019	2018
Profit (loss) from discontinued operations in the statement of comprehensive income attributable to the owners of the parent (in euro)	(172,958,920)	--

Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
<b>Basic earnings (loss) per share (euro)</b>	<b>(0.2696)</b>	<b>n.a.</b>

#### Diluted earnings per share

	2019	2018
Profit (loss) for the year attributable to the owners of the parent (in euro)	(161,443,333)	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings (loss) per share (in euro) (*)</b>	<b>(0.2517)</b>	<b>0.0218</b>

	2019	2018
Comprehensive income attributable to the owners of the parent (in euro)	(161,443,333)	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings (loss) per share (in euro) (*)</b>	<b>(0.2517)</b>	<b>0.0218</b>

	2019	2018
Profit from continuing operations attributable to the owners of the parent (in euro)	11,515,587	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings per share (in euro)</b>	<b>0.0179</b>	<b>0.0218</b>

	2019	2018
Profit from continuing operations in the statement of comprehensive income attributable to the owners of the parent (in euro)	11,515,587	14,187,645
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings per share (in euro)</b>	<b>0.0179</b>	<b>0.0218</b>

	2019	2018
Profit (loss) from discontinued operations attributable to the owners of the parent (in euro)	(172,958,920)	--
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688
Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings (loss) per share (in euro) (*)</b>	<b>(0.2696)</b>	<b>n.a.</b>

	2019	2018
Profit (loss) from discontinued operations in the statement of comprehensive income attributable to the owners of the parent (in euro)	(172,958,920)	--
Weighted average number of ordinary shares in circulation	641,482,747	650,008,688



Weighted average number of options	2,149,007	3,390,137
No. of shares that could have been issued at fair value	--	(1,832,500)
Adjusted weighted average number of shares in circulation	643,631,754	651,566,325
<b>Diluted earnings (loss) per share (in euro) (*)</b>	<b>(0.2696)</b>	<b>n.a.</b>

(\*) In the event of a negative result, the diluted loss per share is the same as the basic loss per share.

## 22. Related party transactions

Information regarding the impact that related party transactions have on the financial and equity situation and on the profit or loss for the year are provided in the comment on the individual items of the separate financial statements.

Note that during 2019 the following amounts were recognised in profit or loss in favour of:

- Administration bodies € 1,979 thousand;
- Control bodies € 175 thousand;
- Chief Executive Officer and General Manager € 2,735 thousand (of which € 1,170 thousand as the notional cost of equity-based compensation);
- Key executives € 376 thousand (of which € 175 thousand as the notional cost of equity-based compensation).

For further details, please refer to the "Remuneration Report" available in the Governance section of the company's website ([www.cirgroup.it](http://www.cirgroup.it)).

## 23. Net financial position

The net financial position in accordance with Consob Resolution no. 6064293 dated 28 July 2006 is as follows:

<i>(in thousands of euro)</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
A. Cash and bank deposits	3,185	7,442
B. Other cash equivalents	--	--
C. Securities held for trading	--	--
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>3,185</b>	<b>7,442</b>
<b>E. Current loan assets</b>	<b>--</b>	<b>--</b>
F. Current bank loans and borrowings	--	--
G. Current portion of non-current debt	--	--
H. Lease liabilities	(164)	--
<b>I. Current financial indebtedness (F)+(G)+(H)+(I)</b>	<b>(164)</b>	<b>--</b>
<b>J. Current net financial position (I)+(E)+(D)</b>	<b>3,021</b>	<b>7,442</b>
K. Non-current bank loans and borrowings	--	--
L. Lease liabilities	(323)	--
M. Other non-current liabilities	--	--
<b>N. Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(323)</b>	<b>--</b>
<b>O. Net financial position (J) + (N)</b>	<b>2,698</b>	<b>7,442</b>

## 24. Other information

### FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES

With regard to business risks, the main financial risks identified, monitored and actively managed by the company are the following:

- interest rate risk resulting from exposure to fluctuations in interest rates;
- credit risk resulting from the potential default of a counterparty;
- liquidity risk resulting from a lack of financial resources to meet short-term commitments.

#### Interest rate risk

Fluctuations in interest rates affect the market value of financial assets and the level of net financial expense.

#### Credit risk

Credit risk represents the company's exposure to potential losses resulting from the failure of counterparties to meet their obligations. Particularly in relation to financial counterparty risk resulting from the investment of liquidity and from derivative positions, counterparties are selected according to guidelines which set out the characteristics of the counterparties suitable for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating. The company has not encountered any cases of default by counterparties.

At 31 December 2019 there was no significant concentration of credit risk.

### Measurement of financial assets and liabilities

The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured on the basis of prices published on the active market;
- the fair value of other financial assets and liabilities (except for derivatives) is measured using commonly accepted measurement techniques based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and broker listed prices for similar instruments.

### Liquidity risk

Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. As things stand today, based on its cash and cash equivalents and expected future cash inflows, the company believes that it will be able to meet its foreseeable financial needs. The objective of liquidity risk management is not only that of guaranteeing sufficient available financial resources to cover short term commitments, but also to ensure where necessary a sufficient level of operating flexibility for development programmes within the group.

With regard to financial instruments represented by short-term assets and liabilities and for which the present value of future cash flows does not differ significantly from their carrying amount, it is assumed that this is a reasonable approximation of their fair value. In particular, the carrying amount of assets and other current assets and trade payables and other current liabilities approximates their fair value.

## CREDIT RISK

(in thousands of euro)

Position at 31 December 2019	Items financial statements	Total receivable	Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired/ Renegotiated	Impairment losses
<b>Other assets – Non-current assets</b>	4.f.									
Gross asset		69,975	69,975	--	--	--	--	--	--	
Loss allowance		--	--	--	--	--	--	--	--	--
<b>Other assets – Current assets</b>	5.a.									
Gross asset		13,584	12,919	665	654	--	11	--	--	
Loss allowance		--	--	--	--	--	--	--	--	--
<b>Total</b>		<b>83,559</b>	<b>82,894</b>	<b>665</b>	<b>654</b>	<b>--</b>	<b>11</b>	<b>--</b>	<b>--</b>	<b>--</b>

(in thousands of euro)

Position at 31 December 2018	Items financial statements	Total receivable	Not yet due	Expired by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired/ Renegotiated	Impairment losses
<b>Other assets – Non-current assets</b>	4.f.									
Gross asset		80,004	80,004	--	--	--	--	--	--	
Loss allowance		--	--	--	--	--	--	--	--	--
<b>Other assets – Current assets</b>	5.a.									
Gross asset		16,349	16,333	16	--	--	8	8	--	
Loss allowance		--	--	--	--	--	--	--	--	--
<b>Total</b>		<b>96,353</b>	<b>96,337</b>	<b>16</b>	<b>--</b>	<b>--</b>	<b>8</b>	<b>8</b>	<b>--</b>	<b>--</b>

## LIQUIDITY RISK - 2019

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <5 years	Total
<b>Non-derivative financial liabilities</b>							
Lease liabilities	175	151	117	54	12	--	509
Trade payables	7,563	--	--	--	--	--	7,563
<b>Total</b>	<b>7,738</b>	<b>151</b>	<b>117</b>	<b>54</b>	<b>12</b>	<b>--</b>	<b>8,072</b>

## LIQUIDITY RISK - 2018

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <5 years	Total
<b>Non-derivative financial liabilities</b>							
Trade payables	8,064	--	--	--	--	--	8,064
<b>Total</b>	<b>8,064</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8,064</b>

## MANAGEMENT AND COORDINATION

The company is subject to the management and coordination of CIR S.p.A. - Compagnie Industriali Riunite (formerly Cofide Gruppo De Benedetti S.p.A.). In accordance with art. 2497-bis of the Italian Civil Code, point 26 provides a summary of the key figures from the latest approved separate financial statements of the company exercising management and coordination.

## STOCK OPTION AND STOCK GRANT PLANS

As required to be disclosed by Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions, the company has stock option and stock grant plans for employees of the group.

At 31 December 2019 stock option and stock grant plans issued from 2006 onwards were still valid for a total of 17,951,443 options, as can be seen from the chart in note 24 of the Notes to the consolidated financial statements.

With reference to plans issued in the last three years, note that:

- On 28 April 2017 the Shareholders' Meeting approved the 2017 Stock Grant Plan reserved for the Chief Executive Officer and executives and directors of the company, the parent and subsidiaries, for a maximum of 2,000,000 units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2019 to 31 January 2021. The shares assigned in execution of the Plan will be made available only from treasury shares held by the company. A total of 777,800 time units were assigned during the year, whose maturity is subject to continued service, and 777,800 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts to € 1.4359.
- On 27 April 2018 the Shareholders' Meeting approved the 2018 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent and subsidiaries, for a maximum of 2,000,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2020 to 31 January 2022. The shares assigned in execution of the Plan will be made available only from treasury shares held by the company. A total of 1,036,743 time units were assigned during the year, whose maturity is subject to continued service, and 1,036,743 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 1.0798.
- On 29 April 2019 the Shareholders' Meeting approved the 2019 Stock Grant Plan reserved for the Chief Executive Officer and executives and directors of the company, the parent and subsidiaries, for a maximum of 2,200,000 units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2021 to 31 January 2023. The shares assigned in execution of the Plan will be made available only from treasury shares held by the company. A total of 1,021,530 time units were assigned during the year, whose maturity is

subject to continued service with the company, and 1,021,530 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units is € 1.0709.

## 25. Proposed allocation of the profit for the year

Shareholders,

The separate financial statements at 31 December 2019, which we submit for your approval, closed with a loss of € 161,443,333.27 which we propose to cover for € 137,152,804.87 through the use of the "Reserve from FTA IFRS" and for € 24,290,528.40 through the use of "Retained earnings", both of which are available for this purpose:

THE BOARD OF DIRECTORS

Milan, 9 March 2020

## 26. Key figures from the 2018 separate financial statements of the parent CIR S.p.A. (formerly Cofide S.p.A.) (Art. 2497-bis para. 4 of the Italian Civil Code),

### STATEMENT OF FINANCIAL POSITION (in euro)

ASSETS	31.12.2018
NON-CURRENT ASSETS	588,558,471
CURRENT ASSETS	12,325,600
TOTAL ASSETS	600,884,071

LIABILITIES	
EQUITY	560,983,664
NON-CURRENT LIABILITIES	37,901,424
CURRENT LIABILITIES	1,998,9873
TOTAL LIABILITIES AND EQUITY	600,884,071

### INCOME STATEMENT (in euro)

	2018
SUNDRY REVENUE AND INCOME	128,661
<i>of which with related parties (*)</i>	85,000
COSTS FOR THE PURCHASE OF GOODS	(1,877)
COSTS FOR SERVICES	(941,528)
<i>of which with related parties (*)</i>	(122,000)
PERSONNEL EXPENSES	--
OTHER OPERATING EXPENSE	(540,261)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	(54,518)
OPERATING LOSS	(1,409,523)
FINANCE INCOME	13,437
FINANCE EXPENSE	(881,860)
DIVIDENDS	13,823,304
<i>of which with related parties (*)</i>	13,823,304
GAINS FROM TRADING SECURITIES	386,156
LOSSES FROM TRADING SECURITIES	(331,300)
FAIR VALUE LOSSES ON FINANCIAL ASSETS	(869,338)
PROFIT BEFORE TAXES	10,730,876
INCOME TAXES	348,383
PROFIT FOR THE YEAR	11,079,259

(\*) As per Consob Resolution no. 6064293 of 28 July 2006

The key figures of the parent CIR S.p.A. (formerly COFIDE S.p.A.) shown in the summary table above, as required by article 2497-bis of the Italian Civil Code, are taken from its separate financial statements as at and for the year ended 31 December 2018. For a correct and complete understanding of the financial position of CIR S.p.A. (formerly COFIDE S.p.A.) at 31 December 2018 and of its profit or loss for the year then ended, reference should be made to its separate financial statements accompanied by the reports of the statutory auditors and of the independent auditors, which are available at the parent's registered office and at the offices of Borsa Italiana.



CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS  
PURSUANT TO ART. 154 BIS OF ITALIAN LEGISLATIVE DECREE 58/98

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1. The undersigned, Monica Mondardini, the Chief Executive Officer, and Giuseppe Gianoglio, the executive responsible for the preparation of the separate financial statements of CIR S.p.A., hereby certify, also taking into account the provisions of art. 154 -bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
  - the adequacy, in relation to the characteristics of the business, and
  - effective application of the administrative and accounting procedures for the preparation of the separate financial statements during the course of 2019.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the financial statements:
  - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  - agree with the balances on the books of account and accounting entries;
  - are able to give a true and fair view of the financial position, financial performance and cash flows of the issuer.

The report on operations includes a reliable analysis of the company's performance and results of operations, as well as the general situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 9 March 2020

Signed by

Monica Mondardini  
Chief Executive Officer

Giuseppe Gianoglio  
Executive responsible for the preparation  
of the company's financial statements

## LIST OF EQUITY INVESTMENTS

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AT 31 DECEMBER 2019

pursuant to art. 38.2 of Italian Legislative Decree 127/91

## SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

(in euro or foreign currency)

Company name	Registered office	Share capital	Currency	Participating company	% held on share capital
<b>CIR GROUP</b>					
CIR INTERNATIONAL S.A.	Luxembourg	15,000,000.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.A.R.L.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
NEXENTI ADVISORY S.R.L.	Italy	100,000.00	€	CIR S.p.A.	100.00
NEXENTI S.R.L.	Italy	50,000.00	€	CIR S.p.A.	100.00
JUPITER MARKETPLACE S.R.L.	Italy	100,000.00	€	NEXENTI S.r.l.	100.00
CIR INVESTIMENTI S.P.A.	Italy	19,426,162.00	€	CIR S.p.A.	100.00

### GEDİ GROUP (\*)

GEDİ GRUPPO EDITORIALE S.P.A. (**)	Italy	76,303,571.85	€	CIR S.p.A.	43.78
GEDİ NEWS NETWORK S.P.A.	Italy	195,044,788.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	99.85
A. MANZONI & C. S.P.A.	Italy	21,933,535.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	68.39
				GEDİ NEWS NETWORK S.p.A.	31.61
					100.00
GEDİ PRINTING S.P.A.	Italy	33,637,114.00	€	GEDİ NEWS NETWORK S.p.A.	100.00
GEDİ DISTRIBUZIONE S.P.A.	Italy	677,608.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	100.00
ELEMEDIA S.P.A.	Italy	25,000,000.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	100.00
GEDİ DIGITAL S.R.L.	Italy	278,846.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	82.07
				GEDİ NEWS NETWORK S.p.A.	17.93
					100.00
MO-NET S.R.L.	Italy	35,800.00	€	GEDİ DIGITAL S.r.l	83.00

(\*) consolidated in application of IFRS 5

### SOGEFI GROUP

SOGEFI S.P.A. (***)	Italy	62,461,355.84	€	CIR S.p.A.	55.60
SOGEFI FILTRATION ITALY S.P.A.	Italy	8,000,000.00	€	SOGEFI FILTRATION S.A.	99.88
SOGEFI FILTRATION S.A.	France	120,596,780.00	€	SOGEFI S.p.A.	99.99998
SOGEFI FILTRATION LTD	UK	5,126,737.00	GBP	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION SPAIN S.A.U.	Spain	14,249,084.96	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION D.O.O.	Slovenia	10,291,798.00	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI SUSPENSIONS S.A.	France	73,868,383.00	€	SOGEFI S.p.A.	99.999
FILTER SYSTEMS MAROC S.A.R.L.	Morocco	95,000,000.00	MAD	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION RUSSIA LLC	Russia	6,800,000.00	RUB	SOGEFI FILTRATION S.A.	100.00
SOGEFI GESTION S.A.S.	France	100,000.00	€	SOGEFI S.p.A.	100.00
SOGEFI U.S.A. INC.	United States	20,055,000	USD	SOGEFI S.p.A.	100.00
SOGEFI AIR & COOLING S.A.S.	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL LTDA	Brazil	97,008,787.00	BRL	SOGEFI FILTRATION S.A.	91.132266
				SOGEFI FILTRATION SPAIN S.A.U.	8.867733
				SOGEFI SUSPESION BRASIL Ltda	0.000001
					100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	118,423,329.00	ARS	SOGEFI FILTRATION S.A.	99.681788
				SOGEFI FILTRATION ITALY S.p.A.	0.31821
					99.999998

(\*\*) 45.44% net of the treasury shares

(\*\*\*) 56.67% net of the treasury shares

<i>Company name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating company</i>	<i>% held on share capital</i>
SHANGHAI SOGEFI AUTO PARTS CO., LTD	China	13,000,000.00	USD	SOGEFI S.p.A.	100.00
SOGEFI (SUZHOU) AUTO PARTS CO., LTD	China	37,400,000.00	USD	SOGEFI S.p.A.	100.00
ALLEVARD SPRINGS LTD	UK	4,000,002.00	GBP	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI PC SUSPENSIONS GERMANY GMBH	Germany	50,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI SUSPENSION ARGENTINA S.A.	Argentina	61,356,535.00	ARS	SOGEFI SUSPENSIONS S.A.	89.999
				SOGEFI SUSPENSIONS BRASIL Ltda	9.9918
					99.99
IBERICA DE SUSPENSIONES S.L. (ISSA)	Spain	10,529,668.00	€	SOGEFI SUSPENSIONS S.A.	50.00
SOGEFI SUSPENSION BRASIL LTDA	Brazil	37,161,683.00	BRL	SOGEFI SUSPENSIONS S.A.	99.997
				ALLEVARD SPRINGS Ltd	0.003
					100.00
UNITED SPRINGS LTD	UK	4,500,000.00	GBP	SOGEFI SUSPENSIONS S.A.	100.00
UNITED SPRINGS B.V.	Holland	254,979.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SHANGHAI ALLEVARD SPRING CO., LTD	China	5,335,308.00	€	SOGEFI SUSPENSIONS S.A.	60.58
UNITED SPRINGS S.A.S.	France	5,109,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI HD SUSPENSIONS GERMANY GMBH	Germany	50,000.00	€	SOGEFI PC SUSPENSIONS GERMANY GmbH	100.00
S.ARA COMPOSITE S.A.S.	France	13,000,000.00	€	SOGEFI SUSPENSIONS S.A.	96.15
SOGEFI ENGINE SYSTEMS INDIA PVT LTD	India	21,254,640.00	INR	SOGEFI FILTRATION S.A.	64.29
				SOGEFI AIR & COOLING S.A.S.	35.69
				SYSTEMES MOTEURS CHINA S.à.r.l.	0.02
					100.00
ALLEVARD IAI SUSPENSIONS PVT LTD	India	432,000,000.00	INR	SOGEFI SUSPENSIONS S.A.	74.23
SOGEFI AIR & COOLING CANADA CORP.	Canada	9,393,000.00	CAD	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI AIR & COOLING USA INC.	United States	100.00	USD	SOGEFI AIR & COOLING S.A.S.	100.00
SYSTÈMES MOTEURS CHINA S.A.R.L.	Luxembourg	12,500.00	€	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI ENGINE SYSTEMS MEXICO S. DE R.L. DE C.V.	Mexico	126,246,760.00	MXN	SOGEFI AIR & COOLING CANADA CORP.	99.999992
				SOGEFI AIR & COOLING S.A.S.	0.000008
					100.00
S.C. SOGEFI AIR & COOLING S.R.L.	Romania	7,087,610.00	RON	SOGEFI AIR & COOLING S.A.S.	99.9997
				SOGEFI FILTRATION SPAIN S.A.U.	0.0003
					100.00
SOGEFI ENGINE SYSTEMS HONG KONG LTD	Hong Kong	1,000.00	HKD	SYSTÈMES MOTEURS CHINA S.à.r.l.	100.00
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.P.A.	Italy	6,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.P.A.	Italy	8,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSION EASTERN EUROPE S.R.L.	Romania	31,395,890.00	RON	SOGEFI SUSPENSIONS S.A.	100.00

(in euro or foreign currency)

<i>Company name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating company</i>	<i>% held on share capital</i>
<b>KOS GROUP</b>					
KOS S.p.A.	Italy	8,848,103.70	€	CIR S.p.A.	59.53
OSPEDALE DI SUZZARA S.P.A.	Italy	120,000.00	€	KOS S.p.A.	99.90
MEDIPASS S.R.L.	Italy	700,000.00	€	KOS S.p.A.	100.00
ELSIDA S.R.L.	Italy	100,000.00	€	MEDIPASS S.r.l.	100.00
ECOMEDICA S.P.A.	Italy	380,000.00	€	MEDIPASS S.r.l.	98.31
MEDIPASS HEALTHCARE LTD	UK	5,997.00	GBP	MEDIPASS S.r.l.	98.00
CLEARMEDI HEALTHCARE LTD	India	18,791,790.00	INR	MEDIPASS S.r.l.	84.65
				CLEARVIEW HEALTHCARE LTD	15.35
					100.00
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	GBP	MEDIPASS HEALTHCARE LTD	100.00
MEDIPASS LEEDS LTD	UK	2.00	GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
MEDIPASS BELFAST LTD	UK	2.00	GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
KOS CARE S.R.L.	Italy	2,550,000.00	€	KOS S.p.A.	100.00
CLEARVIEW HEALTHCARE LTD	India	4,661,880.00	INR	MEDIPASS S.r.l.	85.19
HSS REAL ESTATE S.R.L.	Italy	2,064,000.00	€	KOS S.p.A.	100.00
ABITARE IL TEMPO S.R.L.	Italy	100,826.00	€	KOS CARE S.r.l.	54.00
SANATRIX S.R.L.	Italy	843,700.00	€	KOS CARE S.r.l.	91.27
SANATRIX GESTIONI S.R.L.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.R.L.	Italy	80,000.00	€	KOS CARE S.r.l.	100.00
FIDIA S.R.L.	Italy	10,200.00	€	KOS CARE S.r.l.	60.00
VILLA MARGHERITA S.R.L.	Italy	20,000.00	€	KOS CARE S.r.l.	100.00
CASA DI CURA SANT'ALESSANDRO S.R.L.	Italy	10,000.00	€	KOS CARE S.r.l.	100.00
CASA SERENA S.R.L.	Italy	10,000.00	€	KOS CARE S.r.l.	100.00
VILLA PINETA S.R.L.	Italy	78,000.00	€	KOS CARE S.r.l.	100.00
LABORATORIO GAMMA S.R.L.	Italy	45,516.00	€	SANATRIX GESTIONI S.r.l.	100.00
KOS GERMANY GMBH	Germany	25,000.00	€	KOS CARE S.r.l.	100.00
CHARLESTON HOLDING GMBH	Germany	1,025,000.00	€	KOS Germany GmbH	100.00
REGENTA BETRIEBSGESELLSCHAFT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
ELISABETHENHAUS BETRIEBSGESELLSCHAFT MBH	Germany	250,000.00	€	Charleston Holding GmbH	100.00
Dienstleistungsgesellschaft für sozialeinrichtungen MBH	Germany	25,600	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM FRIESENHOF GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
WOHN- & PFLEGEZENTRUM GUT HANSING GMBH	Germany	50,000	€	Charleston Holding GmbH	100.00
RDS RESIDENZPARK DIENSTLEISTUNG & SERVICE GMBH	Germany	25,000	€	Wohn- & Pflegezentrum Gut Hansing GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS TEICHBlick GMBH	Germany	128,150	€	Charleston Holding GmbH	100.00
Dienstleistungsgesellschaft für sozialeinrichtungen - NORD MBH	Germany	25,000	€	Wohn- und Pflegezentrum Haus Teichblick GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS AM BAHNHOF GMBH	Germany	51,150	€	Charleston Holding GmbH	100.00
RSG ROTENBURGER SERVICEGESELLSCHAFT AM BAHNHOF MBH	Germany	25,000	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS OTTERSBERG GMBH	Germany	51,150	€	Charleston Holding GmbH	100.00
OSW OTTERSBERGER SERVICEGESELLSCHAFT WÜMMEBlick MBH	Germany	25,000	€	Wohn- und Pflegezentrum Haus Ottersberg GmbH	100.00
WOHN- & PFLEGEZENTRUM SEEHOF GMBH	Germany	51,200	€	Charleston Holding GmbH	100.00

(in euro or foreign currency)

<b>Company name</b>	<b>Registered office</b>	<b>Share capital</b>	<b>Currency</b>	<b>Participating company</b>	<b>% held on share capital</b>
DGS DIENSTLEISTUNGSGESELLSCHAFT SEEHOF MBH	Germany	26,000	€	Wohn- & Pflegezentrum Seehof GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS SCHWANEWEDE GMBH	Germany	27,500	€	Charleston Holding GmbH	100.00
PROGUSTO SCHWANEWEDE SERVICEGESELLSCHAFT MBH	Germany	25,000	€	Wohn- und Pflegezentrum Haus Schwanewede GmbH	100.00
ALTEN- UND PFLEGEZENTRUM ZU BAKUM GMBH	Germany	51,129	€	Charleston Holding GmbH	100.00
APZ ZU BAKUM SERVICEGESELLSCHAFT MBH	Germany	25,000	€	Alten- und Pflegezentrum zu Bakum GmbH	100.00
CURATUM BETEILIGUNGS- UND VERWALTUNGSGESELLSCHAFT MBH	Germany	25,000	€	Charleston Holding GmbH	100.00
SENIORENDOMIZIL HAUS AM PARK GMBH	Germany	50,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
VSG VÖRDER SERVICE GESELLSCHAFT MBH	Germany	25,000	€	Seniorenndomizil Haus am Park GmbH	100.00
WOHN- UND PFLEGEZENTRUM BURG AUF FEHMARN GMBH	Germany	25,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
FFH FEHMARNSCHE FLINKE HÄNDE SERVICEGESELLSCHAFT MBH	Germany	25,000	€	Wohn- und Pflegezentrum Burg auf Fehmarn GmbH	100.00
LANDHAUS GLÜCKSTADT WOHN- & PFLEGEZENTRUM GMBH	Germany	51,129	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
LH GLÜCKSTADT SERVICEGESELLSCHAFT MBH	Germany	25,000	€	Landhaus Glückstadt Wohn- & Pflegezentrum GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS AM GOLDBACH GMBH	Germany	50,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
GBS GOLDBACH SERVICEGESELLSCHAFT MBH	Germany	25,000	€	Wohn- und Pflegezentrum Haus am Goldbach GmbH	100.00
WOHN- & PFLEGEZENTRUM UP'N KAMP GMBH	Germany	26,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00
BSG BÖRDE SERVICEGESELLSCHAFT MBH	Germany	25,565	€	Wohn- & Pflegezentrum Up'n Kamp GmbH	100.00
SENIORENSITZ "ZWEI EICHEN" GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
SSB SERVICEGESELLSCHAFT SELSINGER BÖRDE MBH	Germany	25,000	€	Seniorenstz "Zwei Eichen" GmbH	100.00
CHARLESTON - AMBULANTE DIENSTE GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
SENOVUM GMBH	Germany	226,000	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEHEIM LESMONA GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
WPH LESMONA SERVICEGESELLSCHAFT MBH	Germany	25,000	€	Wohn- und Pflegeheim Lesmona GmbH	100.00
SENIOREN- UND PFLEGEHAUS "DRENDEL" BETRIEBS GMBH	Germany	30,000	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEEINRICHTUNG BAD CAMBERG GMBH - ANNA-MÜLLER-HAUS-	Germany	100,000	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM HAUS KIKRA GMBH	Germany	26,000	€	Charleston Holding GmbH	100.00
MPS CATERING GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
BAYERNSTIFT - GESELLSCHAFT FÜR SOZIALE DIENSTE UND GESUNDHEIT MBH	Germany	250,000	€	Charleston Holding GmbH	100.00
BAYERNSTIFT SERVICE GMBH	Germany	25,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00
SLW ALTENHILFE LIEBFRAUENHAUS GMBH	Germany	50,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00

(in euro or foreign currency)

<i>Company name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating company</i>	<i>% held on share capital</i>
BAYERNSTIFT MOBIL GMBH	Germany	25,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00
DIE FRANKENSCHWESTERN GMBH	Germany	25,000	€	Bayernstift Mobil GmbH	60.00
BRISA MANAGEMENT GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
WOHNPARK DR. MURKEN GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
WOHNPARK KLOSTERGARTEN GMBH	Germany	26,000	€	Brisa Management GmbH	100.00
WOHNPARK SCHRIEWESHOF GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
WOHNPARK LUISENHOF GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
CHRISTOPHORUS SENIORENRESIDENZEN GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
CHRISTOPHORUS PFLEGE- UND BETREUUNGSDIENSTE GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
CHRISTOPHORUS INTENSIVPFLEGEDIENSTE GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
WOHN- UND PFLEGEZENTRUM ESSEN GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
WOHN- UND PFLEGEZENTRUM MÜLHEIM GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
CHARLESTON DIENSTLEISTUNGSGESELLSCHAFT RUHR MBH	Germany	25,000	€	Charleston Holding GmbH	100.00
INOS 18-027 GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
SIG GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
GSA GP GMBH	Germany	25,000	€	Brisa Management GmbH	100.00
GSA GMBH & CO. IMMOBILIEN VERWALTUNGS KG	Germany	5,000	€	Brisa Management GmbH	100.00
QLT.CARE GMBH	Germany	25,000	€	Charleston Holding GmbH	100.00
KOS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	115,000.00	€	KOS S.p.A.	3.68
				KOS CARE S.r.l.	81.76
				MEDIPASS S.r.l.	2.07
				OSPEDALE DI SUZZARA S.p.A.	2.15
				SANATRIX GESTIONI S.r.l.	3.02
				ABITARE IL TEMPO S.r.l.	4.94
				FIDIA S.r.l.	0.43
				JESILAB S.r.l.	0.43
				ECOMEDICA S.p.A.	0.43
				HSS REAL ESTATE S.r.l.	0.43
				VILLA MARGHERITA S.r.l.	0.43
				ELSIDA S.r.l.	0.23
					100.00

EQUITY INVESTMENTS IN ASSOCIATES  
CARRIED AT EQUITY

(in euro or foreign currency)

<i>Company name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating company</i>	<i>% held on share capital</i>
<b><i>CIR GROUP</i></b>					
DEVIL PEAK S.R.L.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
<b><i>GEDI GROUP</i></b>					
LE SCIENZE S.P.A.	Italy	103,400.00	€	GEDI GRUPPO EDITORIALE S.p.A.	50.00
HUFFINGTONPOST ITALIA S.R.L.	Italy	250,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	49.00
EDITORIALE CORRIERE DI ROMAGNA S.R.L.	Italy	1,756,766.00	€	GEDI NEWS NETWORK S.p.A.	49.00
EDITORIALE LIBERTÀ S.P.A.	Italy	1,000,000.00	€	GEDI NEWS NETWORK S.p.A.	35.00
ALTRIMEDIA S.P.A.	Italy	517,000.00	€	GEDI NEWS NETWORK S.p.A.	35.00
<b><i>GRUPPO CIR INTERNATIONAL</i></b>					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
<b><i>KOS GROUP</i></b>					
APOKOS REHAB PVT LTD	India	169,500,000.00	INR	KOS S.p.A.	50.00



EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES  
MEASURED AT COST (\*)

(in euro or foreign currency)

<i>Company name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating company</i>	<i>% held on share capital</i>
<b>GEDI GROUP</b>					
KSOLUTIONS S.R.L. (in liquidation)	Italy	100,000.00	€	GEDI DIGITAL S.r.l.	100.00
CLUB D.A.B. ITALIA – CONSORTILE S.P.A.	Italy	240,000.00	€	ELEMEDIA S.p.A.	37.50
LIGURIA PRESS S.R.L.	Italy	240,000.00	€	GEDI NEWS NETWORK S.p.A.	20.00
<b>KOS GROUP</b>					
OSIMO SALUTE S.P.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
STUDIO LABORATORIO BIEMME S.R.L.	Italy	10,000.00	€	SANATRIX GESTIONI S.r.l.	100.00
<b>GRUPPO CIR INTERNATIONAL</b>					
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(\*) Non-significant, non-operating equity investments or recently acquired equity investments, if not otherwise indicated

EQUITY INVESTMENTS IN OTHER COMPANIES  
VALUED WITH THE COST MODEL

(in euro or foreign currency)

<i>Company name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating</i>	<i>% held on share capital</i>
<b>GEDI GROUP</b>					
AGENZIA A.N.S.A. S. COOP. A.R.L.	Italy	10,783,362.00	€	GEDI GRUPPO EDITORIALE S.p.A.	3.82
				GEDI NEWS NETWORK S.p.A.	21.37
					25.19
CONSULEDIT S. CONSORTILE A.R.L. (IN LIQUIDATION)	Italy	20,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	6.64
				GEDI NEWS NETWORK S.p.A.	9.18
					15.82
IMMOBILIARE EDITORI GIORNALI S.R.L.	Italy	830,462.00	€	GEDI NEWS NETWORK S.p.A.	7.96
CONSORZIO EDICOLA ITALIANA	Italy	15,539.00	€	GEDI GRUPPO EDITORIALE S.p.A.	16.67
				GEDI NEWS NETWORK S.p.A.	16.67
					33.34
AGENZIA INFORMATIVA ADRIATICA D.O.O.	Slovenia	12,768.00	€	GEDI NEWS NETWORK S.p.A.	19.00
AUDIRADIO S.R.L. (IN LIQUIDATION)	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES INC. (NON-OPERATIVE)	United States	7,663,998.4	USD	GEDI DIGITAL S.r.l.	7.83
TELELIBERTÀ S.P.A.	Italy	2,200,000.00	€	GEDI NEWS NETWORK S.p.A.	4.32
PREMIUM PUBLISHER NETWORK - CONSORTIUM	Italy	8,095.00	€	GEDI GRUPPO EDITORIALE S.p.A.	16.96
				GEDI NEWS NETWORK S.p.A.	7.00
					23.96
TAVOLO EDITORI RADIO S.R.L.	Italy	160,000.00	€	ELEMEDIA S.p.A.	11.70
C.S.E.D.I. CONSORTIUM	Italy	103,291.38	€	GEDI DISTRIBUZIONE S.p.A.	11.11
FIDIMPRESA LIGURIA S. COOP P.A.	Italy	15,480,000.00	€	GEDI NEWS NETWORK S.p.A.	0.01
TRENTO PRESS SERVICE S.R.L.	Italy	260,000.00	€	GEDI NEWS NETWORK S.p.A.	1.60
RADIO ITALIA S.P.A.	Italy	580,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	10.00
<b>SOGEFI GROUP</b>					
AFICO FILTERS S.A.E.	Egypt	14,000,000.00	EGP	SOGEFI FILTRATION ITALY S.p.A.	17.77
<b>KOS GROUP</b>					
FONDO SPAZIO SANITÀ	Italy	107,649,500	€	KOS CARE S.r.l.	1.11

EQUITY INVESTMENTS IN SUBSIDIARY, ASSOCIATES AND IN OTHER COMPANIES  
NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

(in euro or foreign currency)

<b>Company name</b>	<b>Registered office</b>	<b>Share capital</b>	<b>Currency</b>	<b>Participating company</b>	<b>% held on share capital</b>
<b>CIR GROUP</b>					
FINAL S.A. (in liquidation)	France	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73

## REPORT OF THE BOARD OF STATUTORY AUDITORS

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***CIR S.p.A.***

**(DISCONTINUED COMPANY - ABSORPTION WITH EFFECT FROM 19 FEBRUARY 2020)**

**REPORT OF THE STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF  
LEGISLATIVE DECREE NO. 58/1998**

To the Shareholders' Meeting

*Introduction*

Following the company's absorption by Cofide - Gruppo De Benedetti S.p.A. with effect from 19 February 2020, the Directors prepared the separate and consolidated financial statements at 31 December 2019 of CIR S.p.A., as well as the Non-Financial Report as of the same date, which are submitted for your approval. As regards the terms and methods of the merger, reference should be made to the information that the Directors have already made public. With this document, we have fulfilled the duties related to the supervisory activity carried out during the year by the Board of Statutory Auditors of the merged company, having inherited the results of their work. The contents of this report are therefore the result of the analysis of the documentation made available by the Board of Statutory Auditors of the merged company CIR S.p.A., and of the joint activities that we carried out with them, benefiting from the fact that one of our members was also a member of the other board.

\* \* \*

During the year ended 31 December 2019 the (other) Board of Statutory Auditors performed the surveillance activities required by the applicable laws and regulations, in accordance with the Principles of Conduct for Statutory Auditors recommended by the National Council of Business Consultants and Accountants and the guidelines of the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana S.p.A. In preparing this report, we took account of the above and of the recommendations made with Consob Communication no 1025564 of 6 April 2001 and subsequent updates.

In the report on operations and the explanatory notes accompanying the financial statements, the Directors have informed you about the more important transactions that took place during the year and subsequent to the year end. Having said this, with regard to the methods with which the Board of Statutory Auditors of CIR S.p.A. carried out the activity during the year in question, we can confirm that:

- they attended all meetings of the Shareholders and the Board of Directors held during the year. They obtained from the Directors timely and full information on operations and on the more significant transactions from an economic and financial point of view entered into by the Company and its subsidiaries, in accordance with the law and the articles of association; they always participated, through one or more of its members, in the meetings of the Audit and Risk and Sustainability

Committee, of the Related Party Transactions Committee and of the Appointments and Compensation Committee;

- they obtained the knowledge required to carry out their duties regarding compliance with the law and the articles of association, observance of the principles of sound administration and the adequacy of the Company's organisational structure through direct investigation, collecting data and information from the heads of department involved and from an exchange of key data and information with the independent auditors;
- they exercised the functions of the Board of Statutory Auditors as per art. 19 of Legislative Decree no. 39/2010 identifies as those of the "Internal Control and Audit Committee";
- pursuant to art. 149, paragraph 1.d) of TUF, they monitored the effectiveness of the internal control system on subsidiaries and the adequacy of the instructions given to them, also in terms of art. 114, paragraph 2, of Legislative Decree no. 58/1998;
- they checked that the rules of corporate governance foreseen in the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A. were adopted by the Company;
- they supervised compliance with the procedure for the Company's related party transactions with the principles contained in the Consob Regulations approved by resolution no. 17221 of 12 March 2010 and subsequent amendments, as well as compliance with the procedure itself;
- they checked that the supervisory bodies of the company's subsidiaries did not have any significant matters to communicate;

As regards the activities carried out after the effectiveness of the merger, we can confirm that:

- we checked that the provisions of current law and regulations were being complied with in the preparation and format of the separate and consolidated financial statements, including all accompanying documents, which include, among other things, the information referred to in the regulations issued jointly by the Bank of Italy, Consob and Isvap;
- we monitored the adequacy of the methods and processes used to prepare the consolidated non-financial statement, as well as the fulfilment of legal obligations regarding its preparation and publication, including KPMG's issuance of the report as per art. 3 paragraph 10 of the Legislative Decree n. 254/2016;
- we evaluated positively the adequacy of all the procedures, processes and structures that have overseen the production, reporting and representation of the results and consolidated non-financial information pursuant to Legislative Decree 254/2016 of 30 December 2016;
- we verified that the procedures performed to test whether any assets had suffered impairment were adequate from a methodological viewpoint;
- we verified that the Report on Operations for the year complies with current laws and regulations and is consistent with the resolutions adopted by the Board of Directors;

- we received from the independent auditors the report foreseen in art. 14 of Legislative Decree 39/2010 and 10 of EU regulation 537/2014, issued today, concerning the separate and consolidated financial statements at 31 December 2018;
- we received from the independent auditors the additional report as per art. 11 of the European Regulation 537/2014, issued today, from which no significant matters arose that might need mentioning here; as far as it concerns CIR S.p.A., this Report forms an integral part of the Additional Report of the merging company Cofide S.p.A. Attached to the additional report pursuant to art. 11 of EU Regulation 537/2014, we received the annual confirmation of the audit firm's independence pursuant to art. 6, paragraph 2), letter a) of the above mentioned EU Regulation.

During the course of our surveillance activities, carried out as explained above, no significant facts emerged requiring notification to the Supervisory Bodies nor do we have any proposals to make regarding the financial statements, their approval or any other matters relating to our mandate.

\* \* \*

The specific indications that this report has to provide are listed below, in accordance with Consob Communiqué of 6 April 2001 and subsequent updates.

- We obtained sufficient information on the more significant transactions from an economic and financial viewpoint transmitted by the Company and subsidiaries, checking that they were in accordance with the law and the articles of association; the Directors have made adequate disclosures about these transactions in the report on operations; we also obtained information and ensured that the transactions approved and/or put in place were not clearly imprudent, rash, in contrast with resolutions adopted, in potential conflict of interest or in any way likely to compromise the integrity of the Company's assets.
- Adequate information was given to us regarding intercompany and related-party transactions. Based on the information gathered, we ascertained that these transactions complied with the law and with the articles of association, were in the interests of the Company and did not give rise to any doubts as to the correctness and completeness of the information given in the financial statements, the existence of situations of conflict of interest, the protection of the Company's assets or the safeguarding of minority shareholders; the documents accompanying the separate financial statements give appropriate details about the balance sheet and economic effects of such transactions; the periodic checks and controls carried out in the Company's offices did not reveal that any atypical and/or unusual transactions had been carried out.
- In the report on operations and notes, the directors provide adequate and exhaustive information on the main transactions carried out during the course of the year.
- KPMG S.p.A. issued today its audit reports on the separate and consolidated financial statements for the year ended 31 December 2019, including their opinion regarding their consistency as required by

art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, without any objections or highlighting any particular matters.

- In relation to the provisions introduced by Legislative Decree 135/2016 in compliance with EU Regulation 537/2014 on this matter, during the year the Board of Statutory Auditors carried out the preliminary analysis and, if necessary, approved each engagement by the Company and its subsidiaries to KPMG or to companies in its network; these fees are appropriate for the size and complexity of the work performed and do not appear to be of such a size as to affect the independence and autonomy of the auditors in carrying out their audit functions.
- During the year ended 31 December 2019, the Company did not asked the auditors to provide non-audit services. The subsidiaries asked the auditors to provide non-audit services for a total of € 115 thousand; they also asked companies belonging to the auditors' network, again for the provision of services, for a total of € 84 thousand.
- Since 2017, the Company has also given KPMG an additional mandate with respect to the audit to issue the attestation on the compliance of the information provided in the consolidated non-financial statement prepared in accordance with Legislative Decree 254/2016 for an annual fee of Euro 21 thousand. A similar assignment was also given to KPMG by the company' subsidiaries, for a total annual fee of Euro 33 thousand.
- During the year, we issued opinions in accordance with art. 2389 of the Italian Civil Code.
- During 2019, a complaint was received pursuant to paragraph 1, art. 2408 of the Italian Civil Code, in relation to which the Board of Statutory Auditors, upon the outcome of the in-depth analyses carried out, considered the complaint unfounded;
- During 2019, there were 11 meetings of the Board of Directors, 4 meetings of the Audit and Risk and Sustainability Committee and 3 meetings of the Appointments and Compensation Committee; during the same year, the Board of Statutory Auditors met 11 times.
- We have no particular observations to make concerning compliance with the principles of correct administration, because these appear to have been constantly observed, or concerning the adequacy of the organisational structure, which we found to be suitable to meet the operating, managerial and control needs of the Company.
- The system of internal control appeared to be adequate for the size and type of operations of the Company, as we also ascertained at meetings of the Audit and Risk and Sustainability Committee, all of which were attended by at least a member of the Board of Statutory Auditors.
- We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events correctly; as regards the accounting information presented in the separate and consolidated financial statements for the year ended 31 December 2019, it has been certified without any significant matters raised, by the Chairman of the Board of Directors and by the Executive responsible for the preparation of the company's financial statements



in accordance with art. 154-bis, paragraph 5 of Legislative Decree no. 58/1998 and art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions.

- We have no observations to make regarding the adequacy of information flows from the subsidiaries to the Parent Company to ensure the timely fulfilment of communication obligations required by law.
- During the regular exchanges of information and data between the Board of Statutory Auditors and the Independent Auditors, no further aspects emerged that need to be highlighted in this report.
- The Company has substantially adhered to the recommendations contained in the Corporate Governance Code prepared by the Corporate Governance Committee for listed companies. The Board of Statutory Auditors monitored the methods of actual implementation of the corporate governance rules set out in the aforementioned Corporate Governance Code, as adopted by the Company. In relation to the matters laid down in Legislative Decree no. 231/2001, the Company has adopted, implemented and maintained an "Organisational Model" of behaviour and governance of its activities, and has established the Supervisory Body envisaged in the legislation which comprises the members of the Board of Statutory Auditors. The Company has also adopted a Code of Ethics. We also acknowledge that during the year the Company approved the Procedure for the management, treatment and communication of relevant insider information and the Code of Conduct on internal dealing, in accordance with the current legislation on market abuse.
- Our surveillance activities were carried out on a routine basis during 2019 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note.

On completion of the surveillance activity that we carried out during the year, we do not have any proposals to make as per art. 153, paragraph 2, of Legislative Decree no. 58/1998 regarding the separate financial statements at 31 December 2019, their approval or any other matter within our area of responsibility.

Milan, 2 April 2020

THE BOARD OF STATUTORY AUDITORS

Mr. Riccardo Zingales – Chairman of the Board of Statutory Auditors  
Ms. Antonella Dellatorre – Statutory Auditor

## REPORT OF INDEPENDENT AUDITORS

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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

*To the shareholders of  
CIR S.p.A. – Compagnie Industriali Riunite  
(formerly COFIDE – Gruppo De Benedetti S.p.A.)*

### **Report on the audit of the consolidated financial statements**

#### **Opinion**

We have audited the consolidated financial statements of the CIR Group (the “group”), whose parent, CIR S.p.A. (the “parent”) was merged into CIR S.p.A. Compagnie Industriali Riunite (formerly COFIDE – Gruppo De Benedetti S.p.A.) with effect as of 19 February 2020. They comprise the statement of financial position as at 31 December 2019, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “Auditors' responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the parent in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recoverability of goodwill

*Notes to the consolidated financial statements: Notes 3 "Accounting policies" and 7.a. "Intangible assets"*

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2019 include goodwill of €518.9 million.</p> <p>The parent's directors test the goodwill for impairment at least annually and whenever there are indicators of impairment, by comparing them to the estimated recoverable amount, considering the relevant tests carried out by the subsidiaries' directors.</p> <p>The group calculated the recoverable amount of goodwill by estimating its value in use, using a method that discounts their expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> <li>— the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates;</li> <li>— the financial parameters used to calculate the discount rate.</li> </ul> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>The audit procedures we performed, considering the work carried out by the component' audit teams as part of their respective engagements assigned by the subsidiaries Sogefi S.p.A. and KOS S.p.A., included:</p> <ul style="list-style-type: none"> <li>— understanding the process adopted for impairment testing approved by the company's board of directors;</li> <li>— understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived;</li> <li>— analysing the reasonableness of the assumptions used by the group to prepare the forecasts;</li> <li>— checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process;</li> <li>— comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies;</li> <li>— involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about the recoverability of goodwill.</li> </ul>

### **Assets held for sale and associated liabilities**

Notes to the consolidated financial statements: Notes 1.a "Key figures of the GEDI group", 8.h "Assets and liabilities held for sale" and 16 "Loss from discontinued operations"

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>Following the agreement for the sale of the subsidiary GEDI Gruppo Editoriale S.p.A. signed on 2 December 2019, the consolidated financial statements at 31 December 2019 include assets held for sale and associated liabilities of €722.6 million and €496.6 million, respectively, relating to the group headed by that subsidiary and a loss from discontinued operations of €294.7 million, which is the net fair value loss on those assets and liabilities.</p> <p>Since the directors believed that the IFRS 5 requirements for the recognition of the assets and liabilities relating to the GEDI Group as held for sale were met, they measured them at the lower of their carrying amount and fair value.</p> <p>Considering its strategic implications and material effects on the consolidated financial statements, we believe that the transaction and the related disclosure are a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process and material controls adopted in relation to the transaction;</li> <li>— analysing the transaction documentation to check the existence of the IFRS 5 requirements for classifying the assets and liabilities as held for sale;</li> <li>— assessing the appropriateness of the determination of the effects of the transaction and its recognition in accordance with the IFRS;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about assets held for sale and associated liabilities.</li> </ul>

### **Responsibilities of directors and the board of statutory auditors ("Collegio Sindacale) for the consolidated financial statements**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. 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 consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- obtain 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 group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' 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 group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 29 April 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

#### **Report on other legal and regulatory requirements**

##### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10***

The parent's directors are responsible for the preparation of the group's report on operations at 31 December 2019 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations with the group's consolidated financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations is consistent with the group's consolidated financial statements at 31 December 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

**Statement pursuant to article 4 of the Consob regulation implementing  
Legislative decree no. 254/16**

The directors are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 2 April 2020

KPMG S.p.A.

(signed on the original)

Giovanni Rebay  
Director of Audit



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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

*To the shareholders of  
CIR S.p.A. – Compagnie Industriali Riunite  
(formerly COFIDE – Gruppo De Benedetti S.p.A.)*

### **Report on the audit of the separate financial statements**

#### **Opinion**

We have audited the separate financial statements of CIR S.p.A. (the “company”), which was merged into CIR S.p.A. Compagnie Industriali Riunite (formerly COFIDE – Gruppo De Benedetti S.p.A.) with effect as of 19 February 2020. They comprise the statement of financial position as at 31 December 2019, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of CIR S.p.A. as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the separate financial statements” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Measurement of equity investments in subsidiaries**

*Notes to the separate financial statements: Notes 1 "Basis of preparation and accounting policies" and 4.e "Equity investments"*

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>The separate financial statements at 31 December 2019 include equity investments of €482.2 million, mainly relating to the subsidiaries CIR Investimenti S.p.A. (€188.2 million), KOS S.p.A. (€163.0 million) and Sogefi S.p.A. (€109.1 million).</p> <p>At least annually, the directors check whether there are any indicators of impairment and, if there are any, they test these equity investments for impairment and check their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model (impairment test). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> <li>— the expected cash flows, calculated by taking into account the general economic performance and that of the subsidiaries' sector, the actual cash flows for recent years and the projected growth rates;</li> <li>— the financial parameters used to calculate the discount rate.</li> </ul> <p>For the above reasons, we believe that the measurement of the above equity investments is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process adopted for impairment testing approved by the company's board of directors;</li> <li>— understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived;</li> <li>— analysing the reasonableness of the assumptions used by the company to prepare the forecasts;</li> <li>— checking any discrepancies between the previous year forecast and actual figures, in order to check the level of accuracy of the estimation process;</li> <li>— comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies;</li> <li>— involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of comparison with external data and information;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments.</li> </ul>

## **Assets held for sale**

*Notes to the separate financial statements: Notes 5.c "Assets held for sale" and 20 "Profit (loss) from discontinued operations"*

<b>Key audit matter</b>	<b>Audit procedures addressing the key audit matter</b>
<p>Following the agreement for the sale of the subsidiary GEDI Gruppo Editoriale S.p.A. signed on 2 December 2019, the separate financial statements at 31 December 2019 include assets held for sale of €102.4 million relating to the investment in that subsidiary and a loss from discontinued operations of €173.0 million, which is the fair value loss on those assets.</p> <p>Since the directors believed that the IFRS 5 requirements for the recognition of the equity investment as an asset held for sale were met, they measured it at the lower of its carrying amount and the fair value determined on the basis of the agreed consideration for the sale, net of costs to sell. Considering its strategic implications and material effects on the separate financial statements, we believe that the transaction and the related disclosure are a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process and material controls adopted in relation to the transaction;</li> <li>— analysing the transaction documentation to check the existence of the IFRS 5 requirements for classifying the assets as held for sale;</li> <li>— assessing the appropriateness of the criteria and methods used by the company to determine the effects of the transaction and to recognise it in accordance with the IFRS;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about assets held for sale.</li> </ul>

## **Other matters**

### **Management and coordination**

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the company's separate financial statements does not extend to such data.

### **Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements**

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

### ***Auditors' responsibilities for the audit of the separate financial statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. 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 separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- obtain 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the separate 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and

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 those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 29 April 2017, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

#### **Report on other legal and regulatory requirements**

##### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10***

The company's directors are responsible for the preparation of a report on operations at 31 December 2019 and for the consistency of such report with the related separate financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations with the company's separate financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations is consistent with the company's separate financial statements at 31 December 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 2 April 2020

KPMG S.p.A.

(signed on the original)

Giovanni Rebay  
Director of Audit

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