

HALF YEAR FINANCIAL REPORT

AT 30 JUNE 2018



COMPAGNIE INDUSTRIALI RIUNITE

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This Half Year Financial Report at 30 June 2018 was prepared as per terms of Art. 154 ter of Italian Legislative Decree no. 58/1998 and was drawn up in accordance with international financial reporting standards endorsed by the European Union in Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002, and specifically with IAS 34 –Interim Financial Reporting, and also with the measures issued in implementation of Art. 9 of Italian Legislative Decree no. 38/2005.

This Half Year Financial Report has been translated into English language solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail.



COMPAGNIE INDUSTRIALI RIUNITE

Limited-liability corporation - Share capital € 397,146,183.50 - Registered Office: Via Ciovassino, 1 – 20121 Milan - www.cirgroup.it

R.E.A. n. 1950112 – Milan Company Register / Fiscal Code / VAT no. 00519120018

Company subject to management and coordination by COFIDE – Gruppo De Benedetti S.p.A.

Office in Rome: Via del Tritone, 169 – 00187 Rome

CORPORATE BODIES

BOARD OF DIRECTORS

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
Statutory Auditors	ANNA MARIA ALLIEVI RICCARDO ZINGALES
Alternate Auditors	LUIGI MACCHIORLATTI VIGNAT LUCA VALDAMERI PAOLA ZAMBON

INDEPENDENT AUDITORS

KPMG S.p.A.

Notice in accordance with the recommendation of Consob communication no. DAC/RM/97001574 of 20 February 1997

- (*) Powers as per Corporate Governance
(1) Member of the Appointments and Compensation Committee
(2) Member of the Internal Control and Risks Committee
(3) Lead Independent Director

Report on operations

1. Key figures

In the first half of 2018 the CIR group recorded **revenue** of € 1,431.1 million, with an increase of 4.9% on the same period of 2017 (€ 1,364.9 million). The KOS group's revenue increased by 12.7%, that of the GEDI group by 20.2%, thanks to integration of the ITEDI group, whereas the Sogefi group's revenue declined by 2.1% because of hefty devaluations of currencies (other than the Euro); at constant exchange rates, revenue rose by 3.2%.

Gross operating profit amounted to € 167.5 million, in line with € 168.1 million of the first six months of last year.

Operating profit came in at € 82.4 million, compared with € 82.1 million in the corresponding period of the previous year.

The **profit for the period** attributable to the owners of the parent amounted to € 25.4 million versus € 26.8 million in the same period of the previous year.

The contribution made to CIR's profit by the industrial subsidiaries came to € 21.5 million, versus € 21.1 million in the first six months of last year.

Sogefi reported a gross operating profit of € 104.0 million, down on the first half of 2017 (€ 114.0 million), due to the negative impact of exchange rates and an increase in steel prices, which affected the gross operating profit of the Suspension business unit. The profit was € 17.0 million versus € 19.4 million for the same period of the previous year.

GEDI's main sector of activity continues to be affected by very critical developments. It recorded an increase in revenue of 20.2% compared to the corresponding period of last year, thanks to the integration with ITEDI, and a profit of € 4.3 million (€ 7.4 million in the first half of 2017).

Lastly, KOS had a 12.7% increase in revenue, thanks to growth in all of its activities and the fact that all of the acquisitions made during 2017 contributed for the entire period. The gross operating profit increased by 24.6% to € 49.1 million and profit amounted to € 16.5 million (€ 11.3 million in the first half of 2017).

The parent (including its non-industrial subsidiaries) contributed with € 3.9 million of profit compared with € 5.7 million in the first half of 2017, due to lower net financial income.

At 30 June 2018, **net financial indebtedness** was € 320.6 million, compared to € 272.5 million at 31 December 2017 and € 163.0 million at 30 June 2016.

Total net financial indebtedness of the industrial subsidiaries at 30 June 2018 was € 649.4 million, up compared to the figure at 31 December 2017 (€ 615.5 million), mainly as a result of the distribution

of dividends by KOS and the acquisitions made in the first half of 2018. It also grew compared to 30 June 2017 (€ 483.4 million) principally because of the disbursements made by GEDI in the last quarter of 2017 to settle the tax dispute for facts dating back to 1991. Subsequent to the period-end, on 2 July 2018, GEDI paid out € 35.1 million for the last tranche of this settlement.

The net financial position of the parent and its non-industrial subsidiaries at 30 June 2018 was net cash of € 328.8 million, compared to € 343.0 million at 31 December 2016 and € 320.4 million at 30 June 2017. The difference in the first half of 2018 was caused mainly by the net outlay of € 24.8 million for the distribution of dividends and purchases of treasury shares for € 7.4 million, against a net cash inflow from operations of € 18 million.

Equity attributable to the owners of the parent at 30 June 2018 came to € 951.0 million, compared to € 961.0 million at 31 December 2017. The decrease of € 10.0 million is essentially due to the distribution of dividends, the purchase of treasury shares and translation differences; these effects have been partly offset by the profit for the period.

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)		1st half 2018											1st half 2017 (*)	
	CONSOLIDATED	Revenue	Costs of production	Other operating income and expense	Amortisation/ depreciation and impairment losses	Operating profit (loss)	Net financial income and expense	Dividends, net gains and losses on trading and the valuation of securities	Fair value losses on equity-accounted investments	Income taxes	Profit (loss) from discontinued operations	Non-controlling interests	Profit (loss) for the year	Profit (loss) for the year
	COMBINED													
		(1)	(2)			(3)	(4)							
Sogefi Group - Automotive components		839.1	(723.8)	(11.3)	(59.6)	44.4	(13.5)	--	--	(11.8)	--	(9.4)	9.7	11.1
GEDI Group - Media		322.5	(301.9)	1.5	(9.5)	12.6	(5.2)	--	0.2	(3.2)	--	(2.4)	2.0	3.3
KOS Group - Healthcare		269.5	(213.5)	(8.5)	(15.5)	32.0	(6.4)	--	--	(8.3)	--	(7.5)	9.8	6.7
Total for main subsidiaries		1,431.1	(1,239.2)	(18.3)	(84.6)	89.0	(25.1)	--	0.2	(23.3)	--	(19.3)	21.5	21.1
Other subsidiaries		--	(0.2)	0.1	--	(0.1)	--	--	--	--	--	--	(0.1)	(0.1)
Total industrial subsidiaries		1,431.1	(1,239.4)	(18.2)	(84.6)	88.9	(25.1)	--	0.2	(23.3)	--	(19.3)	21.4	21.0
CIR and other non-industrial subsidiaries														
Revenue		--											--	--
Net operating costs			(6.5)										(6.5)	(6.3)
Other operating income & expense				0.5									0.5	0.6
Amortisation, depreciation & impairment losses					(0.5)								(0.5)	(0.3)
Operating profit (loss)						(6.5)								
Net financial income & expense							1.5						1.5	1.4
Dividends and net gains (losses) from securities trading								7.9					7.9	9.6
Fair value losses on equity-accounted investments									--				--	--
Income taxes										1.1			1.1	0.8
Profit (loss) from discontinued operations											--		--	--
Total CIR and other non-industrial subsidiaries before non-recurring items		--	(6.5)	0.5	(0.5)	(6.5)	1.5	7.9	--	1.1	--	--	4.0	5.8
Non-recurring items		--	--	--	--	--	--	--	--	--	--	-	--	--
Consolidated total for the Group		1,431.1	(1,245.9)	(17.7)	(85.1)	82.4	(23.6)	7.9	0.2	(22.2)	--	(19.3)	25.4	26.8

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

- 1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel expenses" in the income statement. This item does not take into consideration the € (1.1) million effect of intercompany eliminations.
- 2) 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 € 1.1 million effect of intercompany eliminations.
- 3) This item is the sum of "financial income" and "financial expense" in the 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)

(in millions of euro)

	30.06.2018								31.12.2017 (*)
CONSOLIDATED	Non-current assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity		Equity attributable to non-controlling interests	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent
COMBINED	(1)	(2)	(3)	(4)					
Sogefi Group - Automotive components	674.6	(110.5)	(93.8)	(259.6)	210.7		102.8	107.9	100.8
GEDI Group - Media	803.3	(162.2)	31.5	(111.4)	561.2		304.6	256.6	254.8
KOS Group - Healthcare	624.4	(21.1)	(46.3)	(279.0)	278.0		115.8	162.2	170.9
Other subsidiaries	--	(0.4)	0.6	0.6	0.8		--	0.8	0.9
Total industrial subsidiaries	2,102.3	(294.2)	(108.0)	(649.4)	1,050.7		523.2	527.5	527.4
CIR and other non-industrial subsidiaries									
Non-current assets	18.2				18.2			18.2	18.4
Other net non-current assets and liabilities		73.3			73.3			73.3	69.3
Net working capital			3.2		3.2			3.2	2.9
Net cash				328.8	328.8			328.8	343.0
Group total	2,120.5	(220.9)	(104.8)	(320.6)	1,474.2		523.2	951.0	961.0

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

- 1) This item is the sum of "intangible assets", "property, plant and equipment", "investment property", "equity-accounted investments" and "other equity investments" in the 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. This item also includes "assets held for sale" and "liabilities held for sale" of the consolidated statement of financial position.
- 3) This item is the sum of "inventories", "contract work in progress", "trade receivables" and "other assets" in current assets and "trade payables", "other liabilities" and "provisions for risks and charges" in current liabilities in the statement of financial position.
- 4) This item is the sum of "loans assets", "securities", "other financial assets", and "cash and cash equivalents" under current assets, of "bonds" and "other loans and borrowings" under non-current liabilities and of "bank loans and borrowings", "bonds" and "other financial liabilities" under current liabilities in the statement of financial position.

2. Performance of the Group

Consolidated revenue for the first half of 2018 amounted to € 1,431.1 million compared to € 1,364.9 million of the corresponding period of 2017, an increase of 66.2 million (+4.9%), due to the growth in GEDI's revenue for the integration of the ITEDI group and the increase in KOS's revenue thanks to the acquisitions made last year. Sogefi's revenue decreased by 2.1%; at constant exchange rates, Sogefi's revenue would have increased by 3.2%.

Revenue generated abroad represents 55.9% of the total, thanks to the international development of Sogefi.

Consolidated revenue by business segment is reported below:

	1st half 2018	%	1st half 2017(*)	%	Change (+/-)	%
Automotive components						
Sogefi Group	839.1	58.7	857.5	62.8	(18.4)	(2.1)
Media						
GEDI Gruppo Editoriale	322.5	22.5	268.3	19.7	54.2	20.2
Healthcare						
KOS Group	269.5	18.8	239.1	17.5	30.4	12.7
Total consolidated revenue	1,431.1	100.0	1,364.9	100.0	66.2	4.9
of which: ITALY	630.8	44.1	556.1	40.8	74.7	13.4
OTHER COUNTRIES	800.3	55.9	808.8	59.2	(8.5)	(1.0)

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

The **condensed income statement** is as follows:

(in millions of euro)	1st half 2018	%	1st half 2017(*)	%
Revenue	1,431.1	100.0	1,364.9	100.0
Gross operating profit (1)	167.5	11.7	168.1	12.3
Operating profit	82.4	5.8	82.1	6.0
Net financial income (expense) (2)	(15.6)	(1.1)	(11.8)	(0.9)
Income taxes	(22.1)	(1.6)	(24.6)	(1.8)
Profit (loss) from discontinued operations	--	--	1.0	0.1
Profit (loss) including non-controlling interests	44.7	3.1	46.7	3.4
Non-controlling interests	(19.3)	(1.3)	(19.9)	(1.5)
Profit (loss) attributable to the owners of the parent	25.4	1.8	26.8	2.0

(*) Certain 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

(1) This is the sum of "Operating profit" and "Amortisation, depreciation & impairment losses" in the income statement.

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

In the first half of 2018, **gross operating profit** came to € 167.5 million (11.7% of revenue), substantially in line with € 168.1 million (12.3% of revenue) in the first half of 2017.

Consolidated operating profit in the first half of 2018 was € 82.4 million (5.8% of revenue) compared with € 82.1 million (6.0% of revenue) in the corresponding period of 2017 (+0.4%).

Net financial expense came to € 15.6 million compared to one of € 11.8 million in the first half of 2017. In detail:

- net financial expense came to € 23.7 million compared to € 20.7 million in the first half of 2017;
- net gains on trading of securities, gains from non-strategic equity investments and fair value gains (losses) on financial assets came to € 7.9 million compared to € 9.6 million in the first half of 2017;
- fair value gains on equity-accounted investments amounted to € 0.2 million compared to a fair value loss of € 0.7 million in first-half 2017.

Consolidated profit came in at € 25.4 million, compared to € 26.8 million in the same period last year.

The **condensed statement of financial position** of the CIR Group at 30 June 2018, with comparative figures at 31 December 2017, is as follows:

<i>(in millions of euro) (1)</i>	<i>30.06.2018</i>	<i>31.12.2017(*)</i>
Non-current assets	2,120.5	2,111.7
Other net non-current assets and liabilities	(220.9)	(230.2)
Net working capital	(104.8)	(127.8)
Net invested capital	1,794.8	1,753.7
Net financial indebtedness	(320.6)	(272.5)
Total equity	1,474.2	1,481.2
Equity attributable to the owners of the parent	951.0	961.0
Equity attributable non-controlling interests	523.2	520.2

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

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

Net invested capital at 30 June 2018 came to € 1,794.8 million versus € 1,753.7 million at 31 December 2017, an increase of € 41.1 million.

The **net financial indebtedness** at 30 June 2018, as already indicated above, amounted to € 320.6 million (compared to € 272.5 million at 31 December 2017 and € 163.0 million at 30 June 2017), caused by:

- net cash inflows for CIR and its non-industrial subsidiaries of € 328.8 million, down on the € 343.0 million at 31 December 2017. The difference of € 14.2 million was caused mainly by the decrease in the net outlay of € 24.8 million for the distribution of dividends and by the purchase of treasury shares made during the half-year of € 7.4 million and the increase in cash flow from operations of € 18.0 million;
- total net indebtedness of the industrial subsidiaries of € 649.4 million compared to € 615.5 million at 31 December 2017. The increase of € 33.9 million is mainly attributable to the rise in indebtedness of the KOS Group for € 41.9 million against an improvement in the financial position of the Sogefi Group for € 4.4 million and of the GEDI Group for € 3.7 million.

Total equity at 30 June 2018 amounted to € 1,474.2 million compared to € 1,481.2 million at 31 December 2017, a net reduction of € 7.0 million.

Equity attributable to the owners of the parent at 30 June 2018 amounted to € 951.0 million compared to € 961.0 million at 31 December 2017, a net reduction of € 10.0 million. The increase is due to the profit for the period, while the decrease is due to the distribution of dividends and the purchase of treasury shares.

Equity attributable to non-controlling interests at 30 June 2018 amounted to € 523.2 million compared to € 520.2 million at 31 December 2017, a net reduction of € 3.0 million.

The notes to the condensed interim consolidated financial statements explain how equity has evolved over time.

The **statement of cash flows** for the first half of 2018, prepared according to a "management" format which, unlike the version included in the financial statements, shows the changes in net cash rather than the changes in cash and cash equivalents, can be summarised as follows:

<i>(in millions of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017(*)</i>
SOURCES OF FUNDS		
Profit from continuing operations	44.7	45.7
Amortisation, depreciation, impairment losses & other non-monetary changes	80.8	81.4
Self-financing	125.5	127.1
Change in working capital and other non-current assets and liabilities	(22.3)	(24.3)
CASH FLOW GENERATED BY OPERATIONS	103.2	102.8
Capital increases	0.4	1.0
TOTAL SOURCES OF FUNDS	103.6	103.8
APPLICATIONS OF FUNDS		
Net investment in non-current assets	(82.5)	(67.6)
Consideration paid for business combinations	(20.2)	(3.8)
Net cash of acquired companies	1.5	(7.7)
Purchase of treasury shares	(7.5)	(9.4)
Payment of dividends	(37.3)	(33.5)
Other changes	(5.7)	(2.2)
TOTAL APPLICATIONS OF FUNDS	(151.7)	(124.2)
CASH FLOWS USED FOR CONTINUING OPERATIONS	(48.1)	(20.4)
CASH FLOWS FROM DISCONTINUED OPERATIONS	--	1.0
CASH FLOWS FOR THE PERIOD	(48.1)	(19.4)
OPENING NET FINANCIAL INDEBTEDNESS	(272.5)	(143.6)
CLOSING NET FINANCIAL INDEBTEDNESS	(320.6)	(163.0)

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

In the first half of 2018 the Group recorded cash outflows of € 48.1 million (deficit of € 19.4 million in the same period of 2017) resulting from sources of funds for € 103.6 million and application of funds for € 151.7 million. Applications of funds include the payment of dividends totalling € 37.3 million, the purchase of treasury shares for € 7.5 million, application of funds in business combinations for a total of € 20.2 million and net investments in non-current assets for € 82.5 million, mainly related to the Sogefi and KOS groups.

For the analysis of the net financial indebtedness, reference should be made to the section containing the condensed interim consolidated financial statements.

At 30 June 2018 the CIR Group had 16,417 employees, compared to 15,839 at 31 December 2017.

3. Performance of the parent

The parent CIR S.p.A. closed the first half of 2018 with a profit of € 18.2 million, an increase compared to € 11.5 million in the first half of 2017 due to higher dividends.

The **condensed income statement** of CIR for the first half of 2018, compared to that of the first six months of 2017, is as follows:

<i>(in millions of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Net operating costs (1)	(4.5)	(4.2)
Other operating costs, amortisation and depreciation (2)	(1.1)	(0.9)
Operating loss	(5.6)	(5.1)
Net financial income (3)	22.7	15.6
Profit (loss) before taxes	17.1	10.5
Income taxes	1.1	1.0
Profit (loss) for the period	18.2	11.5

(1) This item is the sum of "sundry revenue and income", "cost for services" and "personnel expenses" in the income statement of CIR S.p.A.

(2) This item is the sum of "other operating costs" and "amortisation, depreciation and impairment losses" in the income statement of CIR S.p.A.

(3) This item is the sum of "financial income", "financial expense", "dividends", "gains from securities trading", "losses from securities trading" and "fair value gains (losses) on financial assets" in the income statement of CIR S.p.A.

The operating loss of the first half of 2018 came to € 5.6 million compared to an operating loss of € 5.1 million of the first six months of 2017.

Net financial income totalled € 22.7 million, compared to € 15.6 million in the first half of 2017. This result was due to net financial income of € 0.5 million (€ 0.8 million in the first half of 2017) and to dividends of € 22.2 million (€ 14.8 million in the first half of 2017).

The **condensed statement of financial position** of CIR S.p.A. at 30 June 2018, compared to 31 December 2017, is as follows:

<i>(in millions of euro)</i>		30.06.2018	31.12.2017
Non-current assets	(1)	770.8	771.1
Other net non-current assets	(2)	78.6	97.7
Net working capital	(3)	22.5	(2.5)
Net invested capital		871.9	866.3
Net financial position	(4)	5.7	24.4
Equity		877.6	890.7

(1) This item is the sum of "intangible assets", "property, plant and equipment", "investment property" and "equity investments" in the statement of financial position of CIR S.p.A., the parent.

(2) This item is the sum of "other assets" and "other financial assets" under non-current assets and of "employee benefit obligations" and "deferred tax liabilities" under non-current liabilities in the statement of financial position of CIR S.p.A., the parent.

(3) This item is the sum of "other assets" in current assets and "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 sum of "loans assets", "securities", "other financial assets" and "cash and cash equivalents" under current assets and of "bank loans and borrowings" under current liabilities in the statement of financial position of CIR S.p.A., the parent.

The net financial position at 30 June 2018 amounted to € 5.7 million; note that an important part of the liquidity of CIR is held by CIR Investimenti S.p.A. and CIR International S.A., both wholly-owned non-industrial subsidiaries. As a whole, the net cash balance of CIR and its non-industrial subsidiaries amounted to € 328.8 million at 30 June 2018.

Equity, including profit for the period, went from € 890.7 million at 31 December 2017 to € 877.6 million at 30 June 2018, a decrease due to the distribution of dividends for € 24.8 million and the purchase of treasury shares for € 7.4 million.

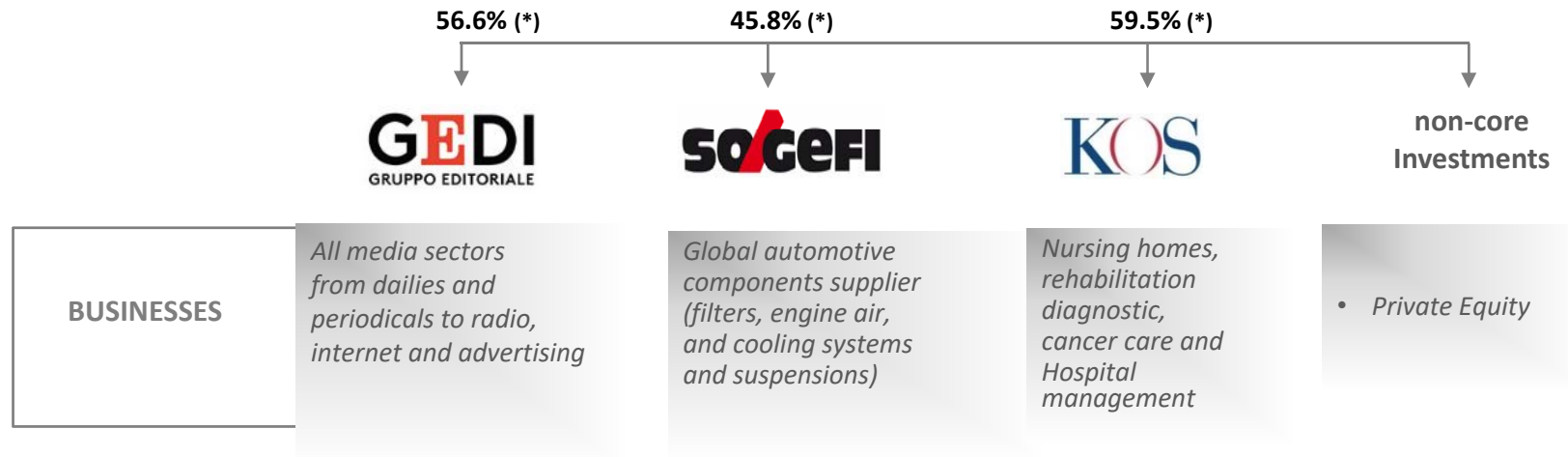
At 30 June 2018, the parent held 144,785,210 treasury shares (18.228% of the share capital) for a value of € 202.2 million, compared to 138,167,259 treasury shares (17.395% of the share capital) at 31 December 2017 for a value of € 194.9 million. The net increase of 6,617,951 shares was due to the purchase of 6,714,945 shares (average price of € 1.1038) less the exercise of stock grants for 96,994 shares.

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

The following is a reconciliation between the profit for the period and equity attributable to the owners of the parent with the parent's figures.

<i>(in thousands of euro)</i>	<i>Equity</i> <i>30.06.2018</i>	<i>Profit (loss) for</i> <i>the year</i> <i>1st half 2018</i>	<i>Equity</i> <i>31.12.2017</i>	<i>Profit (loss) for</i> <i>the year</i> <i>1st half 2017</i>
Separate financial statements of CIR S.p.A. (parent)	877,551	18,208	890,656	11,548
Elimination of the carrying amount of consolidated equity investments	(755,630)	--	(755,630)	--
Recognition of equity and profit (loss) for the period of investments in subsidiaries	826,136	26,551	823,015	30,007
Goodwill	2,941	--	2,941	--
Elimination of dividends of subsidiaries	--	(19,402)	--	(14,821)
Elimination of fair value gains (losses) on consolidated equity investments	--	--	--	18
Other consolidation adjustments	--	--	--	--
Condensed interim consolidated financial statements (share attributable to the owners of the parent)	950,998	25,357	960,982	26,752

Main Equity investments at 30 June 2018



(*) the percentage is calculated net of treasury shares

5. Performance of the business segments

► AUTOMOTIVE COMPONENTS

In the first half of 2018, the world automotive market recorded a 1.7% increase in production. Production grew in Europe (+1.8%), Asia (+4.2% thanks to the recovery of the Chinese market) and in South America (+10.7%). On the other hand, production fell again in North America (-2.9%).

The hefty devaluations of the currencies (other than the Euro) in which the Group operates has had a significant impact on the key income statement ratios, on revenue in particular.

In this context, **revenue** of the Sogefi group came to € 839.1 million, an increase of 3.2% at constant exchange rates and a decrease of 2.1% at historical exchange rates compared to the first half of 2017.

As regards geographical areas, revenue at constant exchange rates recorded a slight increase in Europe (+0.7%), an increase in North America (+1.6%) and a significant increase in Asia and South America (+10% and +13.5% respectively).

The revenue of the Sogefi Group can be broken down as follows:

(in millions of euro)	1st half 2018		1st half 2017		Change
	Amounts	%	Amounts	%	
Suspension	314.7	37.5	308.7	36.0	1.9
Filtration	277.2	33.0	288.6	33.6	(4.0)
Air and Cooling	248.9	29.7	262.3	30.6	(5.1)
Other	(1.7)	(0.2)	(2.1)	(0.2)	(19.0)
TOTAL	839.1	100.0	857.5	100.0	(2.1)

As regards the Business Units, *Suspension* recorded an increase of 7.1% at constant exchange rates (+1.9% at current exchange rates due to the devaluation of South American currencies in particular), *Filtration* reported an increase of 2.7% at constant exchange rates (-4.0% at current exchange rates due to the devaluation of South American currencies in particular) and *Air and Cooling* marked a decrease of 1.2% (-5.1% at current exchange rates, due to the performance of the Canadian Dollar).

Gross operating profit came in at € 104.0 million, down from € 114.0 million in the first half of 2017; the reduction is due to the trend in exchange rates (with a total effect of € 5.4 million) and to the negative impact of increases in the price of steel (€ 6.0 million) in *Suspension*. Profitability (Gross operating profit/revenue) decreased from 13.3% to 12.4%.

Operating profit amounted to € 44.4 million, a decrease compared to € 49.2 million of the first half of 2017, representing 5.3% of revenue (5.7% in the first half of 2017). The first half 2017 included € 6 million of impairment losses in Brazilian assets.

Profit before taxes and non-controlling interests was € 30.9 million (€ 36.4 million in the first half of 2017), after financial expense of € 13.5 million in 2018 (€ 12.8 million in 2017).

Profit for the period amounted to € 17.0 million compared to € 19.4 million in the first half of 2017 (2% of revenue compared to 2.3% in 2017), after income taxes of € 11.8 million in 2018 against € 14.9 million in 2017.

As regards risks for claims of Sogefi Air & Cooling S.A.S. (former Systèmes Moteurs S.A.S.), the situation in the first half of 2018 remained unchanged.

Net financial indebtedness at 30 June 2018 amounted to € 259.6 million, with an improvement of € 4.4 million compared to 31 December 2017 (€ 264.0 million) and of € 20.8 million on 30 June 2017 (€ 280.4 million). Free cash flow of the first half of 2018 was positive for € 3.9 million compared with € 19.0 million in the same period of 2017. the contraction is linked to the decrease in gross operating profit and to the investment in the new plant in Morocco (€ 9 million), which will start operations in the fourth quarter of 2018.

At 30 June 2018, equity, excluding non-controlling interests, came to € 190.8 million (€ 177.4 million at 31 December 2017).

The Sogefi Group had 7,040 employees at 30 June 2018 compared to 6,947 at 31 December 2017.

Despite the current uncertainties of the world automotive market, the group still expects growth at constant exchange rates moderately higher than the market, thanks to the development initiatives undertaken in Mexico (for *Suspension*) and Morocco (for *Filtration*). The group expects a result for the entire year in line with 2017, despite the increases in the cost of raw materials and the negative exchange rate effect.

► MEDIA

Starting from 1 January 2018, the GEDI group adopted the new IFRS 15 and IFRS 9.

To ensure that the figures are comparable, the income statement for the first half of 2017 has been restated as regards advertising and circulation revenue and, as a consequence, for the same amount, cost for services, according to the new provisions of IFRS 15. This restatement did not have an impact on operating profit (loss) nor on the profit for the period or equity.

As regards the context in which GEDI operated, in the first five months of 2018 advertising expenditure fell slightly (-1.4%) compared to the corresponding period of the previous year (Nielsen Media Research figures). Positive trends were recorded by radio, which showed an increase of 6.8%, confirming the positive trend that has been going on since 2015, and internet which, excluding search engines and social media, achieved a growth in revenue (+2.1%); TV was substantially in line with the corresponding period of the previous year (-1.0%), while press again suffered a drop of 8.2%, with newspapers at -7.9% (-7.4% in national revenue and -8.3% in local revenue) and magazines at -8.6%. As for newspaper circulation in the period from January to May 2018, according to the figures published by ADS (Accertamento Diffusione Stampa), newsstand and subscription sales fell by 7.4%.

It should be remembered that the integration of the ITEDI group, publisher of the newspapers *La Stampa* and *il Secolo XIX*, with GEDI was completed on 27 June 2017. As a result of this transaction, GEDI acquired control of the ITEDI Group, which entered the consolidation scope from 30 June 2017; the income statement of the GEDI group for the first half of 2017 does not therefore include the ITEDI group. The change compared to the first six months of 2017 on a comparable basis is also reported for the key income statement figures reported below.

Consolidated **revenue**, € 322.5 million, reported an increase of 20.2% compared to the first half of 2017 (-5.7% on a comparable basis). Revenue from digital activities represents 11.3% of group revenue.

Revenue of the GEDI group is broken down as follows:

<i>(in millions of euro)</i>	<i>1st half 2018</i>		<i>1st half 2017</i>		<i>Change</i>
	<i>Amounts</i>	<i>%</i>	<i>Amounts</i>	<i>%</i>	<i>%</i>
Circulation and add-ons	163.4	50.7	130.1	48.5	25.6
Advertising	159.1	49.3	138.2	51.5	15.1
TOTAL	322.5	100.0	268.3	100.0	20.2

Circulation revenue amounted to € 141.9 million, with an increase of 30.7% compared to the corresponding period of the previous year and a decrease of 8.7% on a comparable basis, in a market that, as explained above, is continuing to see a significant reduction in the circulation of daily newspapers. Advertising revenue grew by 15.1% on the first half of 2017, a decrease of 2.1% on a comparable basis. As regards the group's media, radio revenue grew by 7.0%, confirming the positive trend observed in the previous year. Internet revenue rose by 21.5% (+2.7% on a comparable basis, better than the market trend). Lastly, publishing revenue increased by 20.0% (-6.3% on a comparable basis, with a better performance than the reference segment).

Costs were 22.6% higher compared to the first half of 2017, but falling by 3.5% on a comparable basis; fixed industrial costs, in particular, have fallen by 7.0% thanks to the ongoing reorganisation of the Group's production structure, as well as administration and other operating costs (-3.7%), thanks to the measures taken to hold down labour costs and general expenses.

Consolidated **gross operating profit** amounted to € 22.1 million, in line with € 22.5 million in the first half of 2017.

Operating profit totalled € 12.6 million, compared to € 15.6 million in the first half of 2017.

Consolidated **profit** came in at € 4.3 million, compared to € 7.4 million in the first half of 2017 (€ 5.6 million on a comparable basis).

Net financial indebtedness at 30 June 2018 amounted to € 111.4 million, with a slight decrease of € 115.1 million compared to the end of 2017. After the end of the period, on 2 July 2018, GEDI paid € 35.1 million relating to the last tranche of the tax settlement.

The Group had 2,433 employees at the end of June 2018 and the average number of employees of the period on a comparable basis was 1.8% lower than the first half of 2017.

As regards prospects for 2018, on the basis of the performance recorded in the first half, no significant change is expected compared to the segment's trends for the last several years. To oppose these trends, the group still undertakes to achieve all the advantages deriving from the integration with ITEDI, in the development and evolution of its publishing products, in the development of digital activities and in the permanent implementation of rationalisations aimed at preserving profitability in a structurally difficult market. It can therefore be considered that, in the absence of unpredictable events, the group will turn in a positive result at the end of the year.

► HEALTHCARE

The KOS group currently manages 85 facilities, mainly in central and northern Italy, for a total of 8,038 beds, operating in the following areas:

- 1) *Long Term Care*: operating in the management of residential care homes for the elderly mainly under the *Anni Azzurri* brand for a total of 5,570 beds in use and in the management of functional and psychiatric rehabilitation facilities, psychiatric treatment communities and day hospitals, mainly under the *Santo Stefano* (rehabilitation) and *Neomesia* (psychiatry) brands, for a total of 2,345 beds;
- 2) *Cancer treatment and diagnostics*: contract management of high-tech diagnostic and radiotherapy services in both public and private structures, management of accredited radiological centres and clinics, under the *Medipass* brand in 17 facilities in Italy, in 3 facilities in the United Kingdom and in 16 facilities in India;
- 3) *Hospital management*: concession management of a public hospital, for a total of 123 beds. In the first six months of 2017, the KOS group achieved consolidated revenue of € 269.5 million, 12.7% up compared to € 239.1 million in the same period last year. In the Long Term Care segment, there has been a growth in revenue volumes, mainly due to the full contribution of the acquisitions made in 2017 and to revenue contributed by the acquisitions made in the first half of 2018. The Diagnostics and Cancer Cure segments saw an increase in revenue thanks to the new services implemented and to the full contribution of Ecomedica, acquired in the second half of 2017.

The revenue of the KOS group can be broken down as follows:

(in millions of euro)	1st half 2018		1st half 2017		Change
	Amounts	%	Amounts	%	%
Long Term Care	217.1	80.6	197.0	82.4	10.2
Cancer treatment and diagnostics	33.6	12.5	23.4	9.8	43.6
Hospital management	18.8	6.9	18.7	7.8	0.5
TOTAL	269.5	100.0	239.1	100.0	12.7

Consolidated **gross operating profit** amounted to € 49.1 million, up 24.6% compared to € 39.4 million in the first six months of 2017.

Consolidated **operating profit** amounted to € 32.0 million compared to € 23.5 million in the corresponding period of the previous year.

Consolidated **profit for the period** came in at € 16.5 million compared to € 11.3 million in the first six months of 2017.

At 30 June 2018 the KOS group had **net financial indebtedness** of € 279.0 million, compared with € 237.1 million at 31 December 2017, after the distribution of dividends during the period for € 29 million and the acquisitions carried out during the first half of 2018, and with € 231.6 million at 30 June 2017.

During the first half of 2018, in January, Idea S.r.l. was acquired, a company that manages a residential facility for non self-sufficient elderly people, authorised and accredited with the Marche region for 90 beds and 20 day centre beds. In February, Casa di Cura S. Alessandro S.r.l. was acquired, a company that manages a facility with 60 beds currently authorised for psychiatric rehabilitation activities. In May, Ippofin S.r.l. was acquired, a company that manages a social care and

residential healthcare facility with 70 beds and a psychiatric community for elderly patients with 33 beds.

The Group had 6,918 employees at 30 June 2018 compared to 6,421 at 31 December 2017.

As regards the business outlook, in 2018 KOS expects a marginal increase in revenue and margins with regard to the fully operational scope, while development activities will continue, particularly in Italy, both externally (through acquisitions) and internally (through greenfield development projects).

6. Non-core investments

They are represented by private equity fund investments, non-controlling interests and other investments amounting to € 77.0 million at 30 June 2018, compared to € 74.0 million at 31 December 2017.

▶ PRIVATE EQUITY

CIR International S.A., a Group company, manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 30 June 2018, based on the NAVs provided by the corresponding funds, came to € 49.3 million, a decrease of € 3.7 million compared to 31 December 2017. In the first half of 2018, net financial profit, net of fees, exchange differences and fair value adjustments, was € 2.4 million.

Outstanding commitments at 30 June 2018 amounted to € 4.4 million.

▶ OTHER INVESTMENTS

At 30 June 2018, CIR directly and indirectly held interests in non-controlling investments for a total of € 16.8 million (compared to € 9.9 million at 31 December 2017) and a non-performing loan portfolio for a total of € 10.9 million.

7. Significant events after the reporting period

There are no significant events after the reporting period in addition to what has already been indicated in the performance of the business segments.

8. Outlook

As regards the performance of the CIR group in 2018, trends recorded in the first half of the year are expected to remain at the same level of those, unless there are extraordinary events that are not currently foreseeable.

9. Main risks and uncertainties to which the Group is exposed

The main risk factors to which the CIR Group is exposed are substantially unchanged compared with those that characterised 2017.

For a detailed description of these risks, reference should be made to section 7 of the Directors' Report in the financial statements at 31 December 2017.

For risks relating to specific cases, reference should be made to section 5 "Performance of the business segments" of this Report and in the Notes to the condensed interim consolidated financial statements at 30 June 2018.

10. Other information

TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

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. This procedure is available in the Governance section of the parent's website (www.cirgroup.it).

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.

CIR S.p.A. helped to manage and provide strategic support services to its subsidiaries and associates during the period, which involved administrative and financial services and providing guarantees, 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 subsidiaries and executives with strategic 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.

For further details on transactions with related parties, please refer to note 22 "Related party transactions".

With regards to the main transactions on equity investments, please refer to the relevant sections of the Notes.

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, outwith normal business administration or such as to have a significant impact on the Group's results, assets and liabilities or financial situation.

OTHER

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, Milan, Italy and secondary office in Via Nervesa 21, Milan, Italy.

CIR shares have been listed on the Milan Stock Exchange since 1973 (Reuters code: CIRX.MI, Bloomberg code: CIR IM, MTA segment).

This report for the period 1 January – 30 June 2018 was approved by the Board of Directors on 27 July 2018.

CIR S.p.A. is subject to management and coordination by Cofide – Gruppo De Benedetti S.p.A.

CIR S.p.A.

Condensed interim consolidated financial statements at 30 June 2018

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 condensed interim consolidated financial statements

1. Statement of financial position

(in thousands of euro)

ASSETS	Notes	30.06.2018	31.12.2017 (**)
NON-CURRENT ASSETS		2,344,092	2,330,240
INTANGIBLE ASSETS	(3.a.)	1,168,215	1,156,202
PROPERTY, PLANT AND EQUIPMENT	(3.b.)	800,285	799,501
INVESTMENT PROPERTY	(3.c.)	18,205	18,582
EQUITY-ACCOUNTED INVESTMENTS	(3.d.)	121,689	125,181
OTHER EQUITY INVESTMENTS	(3.e.)	12,117	12,249
OTHER ASSETS	(3.f.)	61,156	56,754
OTHER FINANCIAL ASSETS	(3.g.)	62,155	58,822
DEFERRED TAX ASSETS	(3.h.)	100,270	102,949
CURRENT ASSETS		1,286,558	1,282,137
INVENTORIES	(4.a.)	143,916	139,222
TRADE RECEIVABLES	(4.b.)	483,503	472,736
of which with related parties (*)	(4.b.)	1,756	1,799
OTHER ASSETS	(4.c.)	112,529	104,800
of which with related parties (*)	(4.c.)	105	105
LOANS ASSETS	(4.d.)	10,995	21,717
SECURITIES	(4.e.)	33,909	46,927
OTHER FINANCIAL ASSETS	(4.f.)	267,375	235,251
CASH AND CASH EQUIVALENTS	(4.g.)	234,331	261,484
ASSETS HELD FOR SALE	(4.h.)	2,341	3,418
TOTAL ASSETS		3,632,991	3,615,795
LIABILITIES			
EQUITY		1,474,244	1,481,225
SHARE CAPITAL	(5.a.)	324,753	328,063
RESERVES	(5.b.)	232,364	266,210
RETAINED EARNINGS	(5.c.)	368,524	372,659
PROFIT (LOSS) FOR THE PERIOD		25,357	(5,950)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		950,998	960,982
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		523,246	520,243
NON-CURRENT LIABILITIES		1,026,255	1,099,137
BONDS	(6.a.)	267,074	365,112
OTHER LOANS AND BORROWINGS	(6.b.)	312,347	281,863
OTHER LIABILITIES		67,681	72,081
DEFERRED TAX LIABILITIES	(3.h.)	176,932	171,449
EMPLOYEE BENEFIT OBLIGATIONS	(6.c.)	137,241	139,735
PROVISIONS FOR RISKS AND CHARGES	(6.d.)	64,980	68,897
CURRENT LIABILITIES		1,132,492	1,035,433
BANK LOANS AND BORROWINGS	(4.g.)	6,746	17,551
BONDS	(7.a.)	112,658	20,168
OTHER LOANS AND BORROWINGS	(7.b.)	168,375	153,163
TRADE PAYABLES	(7.c.)	514,172	513,287
of which with related parties (*)	(7.c.)	2,273	1,844
OTHER LIABILITIES	(7.d.)	261,968	260,020
PROVISIONS FOR RISKS AND CHARGES	(6.d.)	68,573	71,244
LIABILITIES HELD FOR SALE	(4.h.)	--	--
TOTAL LIABILITIES AND EQUITY		3,632,991	3,615,795

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

(**) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

2. Income statement

(in thousands of euro)

	Notes	1 st half 2018	1 st half 2017 (**)
REVENUE	(8)	1,431,169	1,364,901
CHANGE IN INVENTORIES		1,347	2,487
COST FOR THE PURCHASE OF GOODS	(9.a.)	(513,486)	(508,082)
COST FOR SERVICES	(9.b.)	(339,107)	(307,062)
of which with related parties (*)	(9.b.)	(1,127)	(1,210)
PERSONNEL EXPENSES	(9.c.)	(393,553)	(362,817)
OTHER OPERATING INCOME	(9.d.)	14,642	13,137
of which with related parties (*)	(9.d.)	1,013	945
OTHER OPERATING EXPENSE	(9.e.)	(33,535)	(34,467)
of which with related parties (*)	(9.e.)	--	--
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES		(85,066)	(85,949)
OPERATING PROFIT (LOSS)		82,411	82,148
FINANCIAL INCOME	(10.a.)	5,125	5,252
of which with related parties (*)	(10.a.)	--	1
FINANCIAL EXPENSE	(10.b.)	(28,792)	(25,969)
DIVIDENDS		2,767	40
GAINS FROM SECURITIES TRADING	(10.c.)	6,735	8,703
LOSSES FROM SECURITIES TRADING	(10.d.)	(395)	(33)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEEs	(3.d.)	161	(664)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(10.e.)	(1,215)	859
PROFIT BEFORE TAXES		66,797	70,336
INCOME TAXES	(11)	(22,145)	(24,646)
PROFIT FROM CONTINUING OPERATIONS		44,652	45,690
PROFIT FROM DISCONTINUED OPERATIONS	(12)	--	1,000
PROFIT (LOSS) FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS		44,652	46,690
- PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(19,295)	(19,938)
- PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		25,357	26,752
BASIC EARNINGS PER SHARE (in euro)	(13)	0.0388	0.0403
DILUTED EARNINGS PER SHARE (in euro)	(13)	0.0387	0.0403

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

(**) Certain 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

3. Statement of comprehensive income

(in thousands of euro)

	1 st half 2018	1 st half 2017 (*)
PROFIT FROM CONTINUING OPERATIONS	44,652	45,690
OTHER COMPREHENSIVE EXPENSE		
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS		
- ACTUARIAL GAINS	1,137	2,844
- TAX EFFECT OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	(193)	(483)
SUBTOTAL OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	944	2,361
ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
- EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	(6,593)	(13,707)
- NET FAIR VALUE LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	--	(3,320)
- NET FAIR VALUE GAINS ON CASH FLOW HEDGES	1,679	2,599
- OTHER COMPREHENSIVE EXPENSE	--	(560)
- TAX EFFECT OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	(403)	(645)
SUBTOTAL OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	(5,317)	(15,633)
OTHER COMPREHENSIVE EXPENSE	(4,373)	(13,272)
COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	40,279	32,418
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	--	1,000
COMPREHENSIVE INCOME	40,279	33,418
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
OWNERS OF THE PARENT	22,883	16,658
NON-CONTROLLING INTERESTS	17,396	16,760
BASIC COMPREHENSIVE EARNINGS PER SHARE (IN EURO)	0.0350	0.0251
DILUTED COMPREHENSIVE EARNINGS PER SHARE (IN EURO)	0.0349	0.0251

(*) Certain 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

4. Statement of cash flows

(in thousands of euro)

	1 st half 2018	1 st half 2017 (*)
OPERATING ACTIVITIES		
PROFIT FROM CONTINUING OPERATIONS	44,652	45,690
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	85,066	85,949
NET FAIR VALUE LOSSES ON EQUITY-ACCOUNTED INVESTMENTS	3,492	4,946
NET ACTUARIAL LOSSES ON STOCK OPTION/STOCK GRANT PLANS	1,842	1,792
CHANGES IN EMPLOYEE BENEFIT OBLIGATIONS, PROV. FOR RISKS & CHARGES	(7,945)	(5,302)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	1,215	(859)
GAINS ON DISPOSAL OF NON-CURRENT ASSETS	(4,889)	(6,028)
INCREASE (DECREASE) IN NON-CURRENT ASSETS/LIABILITIES	(3,551)	10,790
INCREASE IN NET WORKING CAPITAL	(18,710)	(35,189)
CASH FLOWS FROM OPERATING ACTIVITIES	101,172	101,789
of which:		
- interest paid	(16,158)	(16,897)
- income tax paid	(8,422)	(12,601)
INVESTING ACTIVITIES		
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(20,238)	(3,761)
NET CASH OF ACQUIRED COMPANIES	1,478	9,053
(PURCHASE) SALE OF SECURITIES	(17,125)	4,196
PURCHASE OF NON-CURRENT ASSETS	(82,378)	(67,570)
CASH FLOWS USED IN INVESTING ACTIVITIES	(118,263)	(58,082)
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES	357	973
OTHER CHANGES IN EQUITY	(5,735)	(2,228)
DRAWDOWN (REPAYMENT) OF OTHER LOANS AND BORROWINGS	50,870	(38,349)
PURCHASE OF TREASURY SHARES OF GROUP COMPANIES	(7,492)	(9,402)
DIVIDENDS PAID	(37,257)	(33,516)
CASH FLOWS FROM FINANCING ACTIVITIES	743	(82,522)
DECREASE IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS	(16,348)	(38,815)
OPENING CASH FLOWS/NET CASH & CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	--	1,000
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	243,933	318,061
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	227,585	280,246

(*) Certain 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

5. Statement of changes in equity

	Attributable to shareholders of the parent													Non-controlling interests	Total
	Share capital issued	less treasury shares	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Reserve for treasury shares	Stock option and stock grant reserve	Other reserves	Retained earnings (losses carried forward)	Profit (Loss) for the period	Total		
(in thousands of euro)															
BALANCE AT 31 DECEMBER 2016	397,146	(64,283)	332,863	38,845	115,969	23,531	(6,285)	64,283	18,570	55,937	374,811	33,751	1,052,275	466,201	1,518,476
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	85,198	85,198
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	--	(25,123)	--	(25,123)	(8,491)	(33,614)
Retained earnings	--	--	--	--	--	--	--	--	--	--	33,751	(33,751)	--	--	--
Unclaimed dividends as per Art. 23 of the Bylaws	--	--	--	--	--	--	--	--	--	7	--	--	7	--	7
Fair value gains (losses) on treasury share transactions	--	(4,800)	(4,800)	1,661	--	--	--	4,800	--	--	(15,683)	--	(14,022)	--	(14,022)
Reclassifications	--	--	--	--	--	--	--	--	(4,903)	--	4,903	--	--	--	--
Notional cost of stock options and stock grants credited	--	--	--	--	--	--	--	--	1,801	--	--	--	1,801	--	1,801
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	29	121	--	--	(26,543)	--	--	(26,393)	26,782	389
<i>Comprehensive income (expense) for the period</i>	--	--	--	--	--	1,768	--	--	--	--	--	--	1,768	1,358	3,126
Fair value gains (losses) on cash flow hedges	--	--	--	--	--	(955)	--	--	--	--	--	--	(955)	--	(955)
Fair value gains (losses) on securities	--	--	--	--	--	(1,537)	--	--	--	--	--	--	(1,537)	--	(1,537)
Fair value gains (losses) on securities reclassified to profit or loss	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	--	--	--	--	(276)	--	--	(276)	(372)	(648)
Translation differences	--	--	--	--	--	--	(15,362)	--	--	--	--	--	(15,362)	(8,546)	(23,908)
Actuarial gains (losses)	--	--	--	--	--	--	--	--	--	1,084	--	--	1,084	736	1,820
Profit (loss) for the period	--	--	--	--	--	--	--	--	--	--	--	(5,948)	(5,948)	(37,772)	(43,720)
<i>Comprehensive income (expense) for the period</i>	--	--	--	--	--	(724)	(15,362)	--	--	808	--	(5,948)	(21,226)	(44,596)	(65,822)
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)	--	--	(1,300)	32,080	--	(1,300)	(1,142)	(2,442)
BALANCE RESTATED AT 1 JANUARY 2018	397,146	(69,083)	328,063	40,506	115,969	(2,612)	(27,950)	69,083	15,468	22,366	404,739	(5,950)	959,682	519,101	1,478,783
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	--	357	357
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 Bylaws	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fair value gains (losses) on treasury share transactions	--	(3,310)	(3,310)	135	--	--	--	3,310	--	--	(7,546)	--	(7,411)	--	(7,411)
Reclassifications	--	--	--	--	--	--	--	--	(2,045)	--	2,045	--	--	--	--
Notional cost of stock options and stock grants credited	--	--	--	--	--	--	--	--	894	--	--	--	894	--	894
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	4	49	--	--	(339)	--	--	(286)	(1,115)	(1,401)
<i>Comprehensive income (expense) for the period</i>	--	--	--	--	--	723	--	--	--	--	--	--	723	553	1,276
Fair value gains (losses) on cash flow hedges	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fair value gains (losses) on securities	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fair value gains (losses) on securities reclassified to profit or loss	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Translation differences	--	--	--	--	--	--	(3,731)	--	--	--	--	--	(3,731)	(2,862)	(6,593)
Net actuarial gains (losses)	--	--	--	--	--	--	--	--	--	534	--	--	534	410	944
Profit (loss) for the period	--	--	--	--	--	--	--	--	--	--	--	25,357	25,357	19,295	44,652
<i>Comprehensive income (expense) for the period</i>	--	--	--	--	--	723	(3,731)	--	--	534	--	25,357	22,883	17,396	40,279
BALANCE AT 30 JUNE 2018	397,146	(72,393)	324,753	40,641	115,969	(1,885)	(31,632)	72,393	14,317	22,561	368,524	25,357	950,998	523,246	1,474,244

6. Notes to the condensed interim consolidated financial statements

1. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) issued by the International Accounting Standards Board ("IASB") and with the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Union, in force at 30 June 2018. Please refer to the paragraph "Consolidation principles" for an explanation of the new standards in force from 1 January 2018.

These condensed interim consolidated financial statements have been prepared, in condensed form, in accordance with IAS 34 "Interim Financial Reporting". These condensed interim consolidated financial statements do not therefore include all of the information required for annual financial statements and should be read in conjunction with the annual report for the year ended 31 December 2017.

The condensed interim consolidated financial statements at 30 June 2018 include the Parent CIR S.p.A. (hereinafter "CIR") and its subsidiaries, and were prepared using the accounts of the individual companies included in the consolidation scope; these correspond to their separate financial statements or the consolidated 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 and, where 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 year and in the previous period;

Note that for a better representation of the financial position at 31 December 2017, € 17,269 of "Financial assets" relating to the GEDI sub-group has been reclassified to "Financial liabilities" under current liabilities.

These condensed interim consolidated financial statements have been prepared in thousands of euro, which is the Group's "functional" and "presentation" currency in accordance with IAS 21, except where indicated otherwise.

It should also be noted that some measurement, particularly the more complex ones such as the determination of impairment of non-current assets, are generally carried out only when preparing the condensed interim consolidated financial statements, when all the necessary information is more

likely to be available with a reasonable degree of accuracy, except in cases where there are indications of impairment that requires an immediate assessment of any impairment losses. Income taxes are recognised on the basis of the best estimate of the weighted average tax rate for the entire year.

1.a. Translation of foreign companies' financial statements into euro

Foreign subsidiaries' financial statements (assuming that they do not operate in a hyper-inflationary economy as defined by IAS 29) get translated into euro at the year-end exchange rate for the statement of financial position and at the average exchange rate for the income statement. Any exchange rate gains or losses arising on translation of shareholders' equity at the closing rate and of the income statement at the average rate are posted to "Other reserves" in equity.

The main exchange rates used are the following:

	1st half 2018		1st half 2017	
	<i>Average exchange rate</i>	<i>30.06.2018</i>	<i>Average exchange rate</i>	<i>30.06.2017</i>
US dollar	1.2104	1.1658	1.0825	1.1412
Swiss franc	1.16975	1.1569	1.07664	1.093
GB pound	0.8797	0.8860	0.8601	0.8793
Brazilian real	4.1413	4.4876	3.4393	3.7600
Argentine peso	26.0281	32.7048	16.9981	18.8857
Chinese renminbi	7.7101	7.7170	7.4416	7.7387
Indian rupee	79.4913	79.8130	71.1238	73.7463
New Romanian leu	4.6544	4.6631	4.5364	4.5523
Canadian dollar	1.5464	1.5442	1.4445	1.4785
Mexican peso	23.0787	22.8817	21.0261	20.5846
Hong Kong dollar	9.4904	9.1468	8.4161	8.9071

1.b. Consolidation scope

The condensed interim consolidated financial statements at 30 June 2018 and those of the previous period are the result of the consolidation of CIR (parent) and all of the companies directly or indirectly controlled, jointly controlled or associated at those dates. Assets and liabilities to be disposed of 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.

1.c. Changes in consolidation scope

The main changes in consolidation scope compared to the previous period concern the following:

► MEDIA

The consolidation scope has changed compared to the previous period.

The integration of Italiana Editrice S.p.A. and its subsidiaries Publikompass S.p.A. and Nexta S.r.l. ("ITEDI Group") with GEDI was completed on 27 June 2017. Italiana Editrice S.p.A. was the publisher of two important daily newspapers "*La Stampa*" and "*Il Secolo XIX*"; in addition to its publishing activity, the ITEDI Group also operated in the field of local advertising through Publikompass S.p.A., and in the multimedia sector through Nexta S.r.l., a company operating, among other things, in the development, production, management and promotion of publishing and e-commerce services and products and in the provision of marketing, IT and telecommunication services.

Executing the transaction

The integration was carried out through an increase in capital, excluding option rights for existing shareholders, reserved for Fiat Chrysler Automobiles N.V. ("FCA") and Ital Press Holding S.p.A. ("IPH"), paid up by means of a contribution in kind of shareholdings representing the entire share capital of Italiana Editrice S.p.A..

As a result of this transaction, GEDI acquired control of the ITEDI Group on 27 June 2017. The consolidation date was 30 June 2017, so the GEDI Group's income statement for the first half of 2017 does not include the ITEDI Group.

Note that if the acquisition had taken place on 1 January 2017, consolidated revenue for the first half of 2017 would have amounted to € 341,978 thousand and the consolidated profit for the period would have been € 5,576 thousand. When calculating these amounts, it was assumed that the fair value gains or losses at the acquisition date would have been the same even if the acquisition had taken place on 1 January 2017.

▶ **AUTOMOTIVE COMPONENTS**

During the first half of 2018 the subsidiary Allevard IAI Suspensions Pvt Ltd approved an increase in capital of € 104 thousand, which was fully subscribed by the non-controlling shareholders; the share held by the parent, Sogefi Suspensions SA, decreased as a result from 75.67% to 74.23%. There were no other changes in the consolidation scope during the period.

▶ **HEALTHCARE**

The following acquisitions took place during the first half of the year:

- Casa di cura Sant'Alessandro S.r.l., whose acquisition gave rise to goodwill of € 5,804 thousand on a price paid of € 7,000 thousand;
- Prora Srl and Ideas Srl, for € 5,645 thousand, which gave rise to goodwill of € 4,582 thousand;
- Laboratorio Analisi Chimiche Delta S.r.l., for € 670 thousand, which gave rise to goodwill of € 658 thousand;
- Ippofin Srl, the company that owns 100% of Villa dei Ciliegi di Monteveglio S.r.l., for € 7,184 thousand, which gave rise to goodwill of € 3,141 thousand.

▶ **OTHER COMPANIES**

The consolidation scope has not changed from last year.

2. Basis of consolidation

With the exception of what is explained below, these condensed interim consolidated financial statements have been prepared using the same accounting policies applied by the Group to the consolidated financial statements for the year ended 31 December 2017.

Standards, amendments and interpretations of IFRS applied from 1st January 2018:

The following standards, amendments and interpretations were applied for the first time by the Group with effect from 1 January 2018.

The standard lays down a new model of revenue recognition that will apply to all contracts with customers, except for those that fall within the scope of other IAS/IFRS as leases, insurance contracts and financial instruments.

The CIR Group has restated the comparative figures on FTA of IFRS 15.

We provide below some information on the effects of the applying IFRS 15 in the financial statements of the sub-groups.

The application of IFRS 15 by the Sogefi group involved a change in the accounting treatment of tooling provided to customers, as shown below.

The supply of tooling does not meet the requirements to be identified as a separate performance obligation, so revenue will be recorded with the same timing as the supply of goods. This is because tooling is used by the Sogefi Group exclusively to supply the specific asset ordered by the customer and the customer does not really have an option to obtain the production of such specific goods from another supplier through the use of tooling. Contracts with customers have different forms in the various jurisdictions where the Sogefi Group operates (legal ownership of tooling could be transferred to the customer before the start of mass production for a fixed fee or at the end of mass production, or the revenue from the sale of the tooling could be included in the selling price of the individual goods). Previously, revenue for the contractual obligation to supply tooling was recorded on the basis of the contractual provisions, with specific reference to the transfer of ownership of the tooling to the customer.

By changing the method of recognising the revenue from the contractual obligation to supply tooling, the Sogefi group also changed the accounting policy for the costs involved in the production or purchase of tooling. These costs are capitalised under "Property, plant and equipment" and depreciated over the time that the goods are supplied to the customer (these costs will therefore no longer be recognised in the income statement). Costs related to the development of prototypes (previously recognised in the income statement) are now capitalised under "Intangible assets" and amortised over the period that the goods are supplied to the customer.

The Sogefi group has also identified an impact on the presentation of revenue from customers in the aftermarket. This is due to costs for "marketing contributions" provided to customers who meet the definition of "consideration payable to customers" given in IFRS 15 and that have to be shown net of revenue.

The application of IFRS 15 in the GEDI group involved:

- the recognition of revenue deriving from the circulation business on the basis of the cover price paid by the end-buyer, gross of all extras, including the part paid to newsagents. Consequently, unlike the previous accounting treatment, this extra has been recognised separately as a distribution cost and no longer deducted from revenue;

- the presentation of consolidated advertising revenue, net of the publishing fees from advertising sales on behalf of third-party publishers, previously recorded in the costs for services.

Within the KOS group, the application of IFRS 15 did not produce significant effects.

The following tables show the effects of adopting the new standard in the income statement at 30 June 2017 and in the balance sheet at 31 December 2017.

INCOME STATEMENT

(in thousands of euro)

	Period 01.01 – 30.06.2017	Period 01.01– 30.06.2017 restated	Difference
Revenue	1,392,360	1,364,901	(27,459)
Costs for the purchase of goods	(536,701)	(508,082)	28,619
Costs for services	(326,048)	(307,062)	18,986
Other operating expense	(34,224)	(34,467)	(243)
Amortisation/Depreciation	(65,158)	(85,949)	(20,791)
Financial expense	(26,212)	(25,969)	243
Income taxes	(24,673)	(24,646)	27
Non-controlling interests	(20,204)	(19,938)	266
Profit for the period	27,104	26,752	(352)

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.12.2017	31.12.2017 restated	Difference
Intangible assets	1,138,329	1,156,202	17,873
Property, plant and equipment	690,819	799,501	108,682
Deferred tax assets	97,383	102,949	5,566
Inventories	175,608	139,222	(36,386)
Total assets	3,537,329	3,633,064	95,735

LIABILITIES	31.12.2017	31.12.2017 restated	Difference
Equity attributable to the owners of the parent	967,319	960,982	(6,337)
Non-controlling interests	525,094	520,243	(4,851)
Other non-current liabilities	6,794	72,081	65,287
Deferred tax liabilities	170,554	171,449	895
Current trade payables	468,810	513,287	44,477
Other current liabilities	263,756	260,020	(3,736)
Total liabilities	3,537,329	3,633,064	95,735

Application of IFRS 9

The document (published on 24 July 2014) includes the results of steps relating to classification and measurement, derecognition, impairment and hedge accounting, of the IASB's project to replace IAS 39:

- it introduces new criteria for the classification and measurement of financial assets and liabilities;
- with reference to the impairment model, the new standard requires loan losses to be estimated on the basis of expected losses (and not incurred losses, as under IAS 39), using information that has adequate support, available without unreasonable effort or expense, and that includes historical, current and prospective figures;
- it introduces a new model for hedge accounting (increases the types of transactions eligible for hedge accounting, changes the methodology for recognising forward contracts and options when included in an eligible hedging relationship, amends the effectiveness test).

The analyses that we carried out on the impact of implementing IFRS 9 concerned the assessment of expected credit losses on trade receivables, tax credits, other assets and cash and cash equivalents.

These assessments led to a reduction in the net equity of the CIR Group, net of tax, of € 1,300 thousand attributable for € 508 thousand to the KOS group, € 459 thousand to the GEDI group, € 241 thousand to the Sogefi group and € 92 thousand to CIR (parent) and other non-industrial subsidiaries.

The Group has decided to continue using the hedge accounting rules envisaged in IAS 39 for all hedges already designated in hedge accounting at 31 December 2017.

The Group has not restated its comparative figures on FTA of IFRS 9 as the impact of introducing this standard is considered to be low.

In particular, with effect from 1 January 2018, the securities and financial investments classified as "financial assets available for sale" will be classified according to IFRS 9 in "other financial assets" with contra-entry to "fair value through profit or loss (FVTPL)". As a result of this classification, on the same date, the "Fair value reserve" and the "Translation reserve" were reduced by € 25,448 thousand and € 6,632 thousand respectively, with a simultaneous increase in "Profit/(loss) carried forward" of € 32,080 thousand.

Other International Financial Reporting Standards

- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016 and endorsed by the European Commission in March 2018). The interpretation aims to provide guidelines for foreign exchange transactions where non-cash advances or payments on account are recognised, prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and consequently, the spot exchange rate when there are transactions in foreign currency in which the payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018. The new provisions did not have any impact on the Group's condensed interim consolidated financial statements at 30 June 2018.
- Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). These changes clarify the transfer of a building to or from the category of investment property. In particular, an entity has to reclassify a building to or from investment property only when there is evidence that there has been a change of use. Such a change must be linked to a specific event that has taken place, which means that it should not be limited to a change in management's

intentions. These changes are applicable from 1 January 2018. The new provisions did not have any impact on the Group's condensed interim consolidated financial statements at 30 June 2018.

- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on 20 June 2016), which clarifies how to account for the effects of vesting conditions when cash-settled share-based payments are involved, how to classify share-based payments that represent net settlements, and how to recognise amendments to the terms and conditions of a share-based payment that change its classification from cash-settled to equity-settled. At 30 June 2018, the Group did not have any significant transactions of this type outstanding.
- The "Annual Improvements to IFRS Standards 2014-2016 Cycle" document (published on 8 December 2016 and endorsed in February 2018), whose further amendments concern:
IFRS 1 – First-time adoption of International Financial Reporting Standards - The amendments eliminate certain exemptions provided under IFRS 1 as they are no longer of any benefit. The amendments are effective for the year beginning on 1 January 2018;
IAS 28 – Equity investments in associates and joint ventures - The amendment clarifies that the option for a venture capital investment firm or other such qualified entity to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method) is to be made for each individual investment at the time of initial recognition. The amendments are effective for the year beginning on 1 January 2018.

These improvements did not have any impact on Group companies.

Standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, not yet applicable on a compulsory basis and not adopted early by the Group:

- IFRS 16 - Leases (published on 13 January 2016), which is intended to replace IAS 17 - Leases and IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 -Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. The new standard provides a new definition of lease and introduces a criterion based on control ("right of use") of an asset to distinguish leases from service contracts, identifying as discriminating factors: identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits arising from use of the asset and the right to direct use of the asset underlying the contract. The standard establishes a single model of recognition and measurement of leases for the lessee, which entails booking the asset being leased - whether a finance lease or an operating lease - under assets, with financial liability as the contra-entry. The standard also provides an option not to recognize as lease contracts that involve "low-value assets" and leases that last for 12 months or less. On the other hand, the standard does not include any significant changes for lessors. The standard is applicable from 1 January 2019, but earlier application is permitted only for companies that have applied for early adoption of IFRS 15 - Revenue from Contracts with Customers. The Directors expect that application of IFRS 16 could have a significant impact on the accounting treatment of lease contracts and the disclosures to be made in the Group's condensed interim consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the related outstanding contracts. In the next six months the overall impact will be determined with greater accuracy and the information systems will be implemented for possible operational additions or changes to internal processes.
- 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 amortised cost method or the fair value through other comprehensive income,

depending on the business model adopted, could be applied to financial instruments with prepayment, which could give rise to a negative compensation. The amendments are effective for the year beginning on 1 January 2019.

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

At the reporting date of this half-year financial report, 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 condensed interim consolidated financial statements.

- Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2014). This document was published in order to resolve the current conflict between IAS 28 and IFRS 10 on how to measure the gain or loss deriving from the transfer or contribution of a non-monetary asset to a joint venture or associate, in exchange for an equity interest in the latter. The IASB has currently suspended this amendment.
- 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. The amendments are effective for the year beginning on or after 1 January 2019, but earlier application is permitted.
- 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 assets from 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 assets 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 the IAS. The amendments are effective for the year beginning on or after 1 January 2019, but earlier application is permitted.
- "Annual Improvements to IFRS Standards 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. The amendments are effective for the year beginning on or after 1 January 2019, but earlier application is permitted.
- Amendment to IAS 19 - "Plan Amendment, Curtailment or Settlement" (published in February 2018). The amendment clarifies how to calculate the cost of current services and the net interest when there is a change in the defined benefit plan. The amendments are effective for the year beginning on 1 January 2019. Early application is allowed.

3. Non-current assets

3.a. Intangible assets

	Opening position			Changes for the period						Closing position		
	Original cost	Accumulated amortisation and impairment losses	Balance at 31/12/2017 (*)	Additions	Business combinations and disposals	Exchange rate gains (losses)	Other changes	Net disposals	Amortisation and impairment losses	Original cost	Accumulated amortisation and impairment losses	Balance at 30.06.2018
					increases decreases				cost			
(in thousands of euro)												
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	36	(36)	--
Capitalised development expenses												
- purchased	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	253,655	(161,993)	91,662	10,061	--	(104)	6,263	--	(17,122)	266,464	(175,704)	90,760
Industrial patents and intellectual property rights	61,249	(31,393)	29,856	356	--	--	7	--	(1,688)	61,521	(32,990)	28,531
Concessions, licences, trademarks and similar rights	98,962	(80,743)	18,219	1,899	3	(1)	4,862	(2)	(2,977)	105,722	(83,719)	22,003
Titles and trademarks	453,999	--	453,999	--	--	--	--	--	--	453,999	--	453,999
Frequencies	87,375	--	87,375	882	--	--	--	--	--	88,257	--	88,257
Goodwill	614,712	(175,122)	439,590	13,677	578	9	3	(97)	(304)	630,283	(176,827)	453,456
Assets under development and payments on account												
- purchased	6,148	--	6,148	1,156	--	(31)	(3,618)	--	--	3,655	--	3,655
- produced internally	17,741	(2,824)	14,917	6,493	--	(36)	(7,560)	--	(248)	16,552	(2,986)	13,566
Other	27,766	(13,330)	14,436	178	--	(6)	92	--	(712)	27,858	(13,870)	13,988
Total	1,621,643	(465,441)	1,156,202	34,702	581	(169)	49	(99)	(23,051)	1,654,347	(486,132)	1,168,215

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

Intangible assets rose from € 1,156,202 thousand at 31 December 2017 to € 1,168,215 thousand at 30 June 2018.

The increase in "Goodwill" refers to the acquisitions carried out during the period by the KOS group.

GOODWILL, TRADEMARKS AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

A more detailed analysis of the main items making up intangible assets with an indefinite useful life is given in the following charts.

Titles and trademarks:

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
la Repubblica	229,952	229,952
Local newspapers	143,056	143,056
La Stampa and Il Secolo XIX	77,682	77,682
Other titles and trademarks	3,309	3,309
Total	453,999	453,999

Frequencies:

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Radio frequencies	88,257	87,375
Total	88,257	87,375

Goodwill:

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Automotive sector (Sogefi Group)	128,641	128,638
Media (GEDI Group)	35,662	35,662
Healthcare (KOS Group)	289,153	275,290
Total	453,456	439,590

The change in the Healthcare sector during the period refers to the acquisitions made by the KOS group.

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 operating sectors. The above chart shows the allocation of goodwill by Group operating segment.

In order to perform the impairment test of goodwill and other intangible assets with an indefinite useful life, the recoverable value 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 to sell and having regard - where applicable in the specific circumstances - for the guidelines contained in the document entitled "Impairment test 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 is 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 are 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. 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 evolution of each business segment.

To give a fair estimate of a CGU's value in use, we assessed its expected future cash flows, expected changes in the amount and timing of these flows, the discount rate to be used and any risk factors affecting the investment in the specific 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:

- financial structure of the sector;
- unlevered beta for the sector;
- risk-free rate: annual average yield on government bonds in countries where Group companies operate;
- risk premium: average market risk premium in countries where Group companies operate.

The fair value less costs to sell 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 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 similar transactions executed previously;
- the estimated price based on information obtained by the company.

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

As required by IAS 36, goodwill is subject to impairment testing at least once a year, except in circumstances that suggest that an assessment of possible impairment losses should be carried out immediately.

For the purpose of these condensed interim consolidated financial statements and in compliance with IAS 36, for the GEDI group, we monitored the main qualitative and quantitative indicators for each Cash Generating Unit subject to impairment tests in order to check whether there were signs that they ought to be repeated. Our analyses did not reveal any signs of impairment losses for any of the CGUs identified by the GEDI group.

3.b. Property, plant and equipment

Opening position				Changes for the period								Closing position		
	Original cost	Accumulated depreciation and impairment losses	Balance at 31/12/2017 (*)	Acquisitions	Business combinations and disposals		Capitalised financial expenses	Exchange rate losses	Other changes	Net disposals	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance at 30.06.2018
(in thousands of euro)					increases	decreases				cost				
Land	47,238	(573)	46,665	6	14	--	--	(44)	(45)	--	--	47,207	(611)	46,596
Buildings used for operating purposes	389,702	(169,399)	220,303	1,892	6,229	--	--	(352)	6,712	--	(7,079)	405,846	(178,141)	227,705
Plant and machinery	950,609	(705,255)	245,354	4,870	116	--	--	(2,070)	13,169	(18)	(25,156)	958,712	(722,447)	236,265
Industrial and commercial equipment	323,872	(200,631)	123,241	6,408	130	--	--	(1,393)	2,716	--	(22,057)	328,327	(219,282)	109,045
Other assets	296,169	(229,796)	66,373	3,524	155	--	--	(523)	4,710	(77)	(7,264)	304,995	(238,097)	66,898
Assets under construction and payments on account	98,614	(1,049)	97,565	43,496	--	--	--	(413)	(26,086)	(705)	(81)	114,909	(1,133)	113,776
Total	2,106,204	(1,306,703)	799,501	60,196	6,644	--	--	(4,795)	1,176	(800)	(61,637)	2,159,996	(1,359,711)	800,285

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

Tangible assets rose from € 799,501 thousand at 31 December 2017 to € 800,285 thousand at 30 June 2018.

It should be noted that the balances of "Industrial and commercial equipment" and "Assets under construction and payments on account" at 30 June 2018 include the investments made by the Sogefi group in tooling for € 69,164 thousand and € 37,940 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%

3.c. Investment property

Opening position				Changes for the period							Closing position			
	Original cost	Accumulated depreciation and impairment losses	Net balance 31.12.2017	Acquisitions	Business combinations and disposals		Capitalised financial expenses	Exchange rate gains (losses)	Other changes	Net disposals	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance at 30.06.2018
(in thousands of euro)					increases	decreases				cost				
Buildings	28,543	(9,961)	18,582	--	--	--	--	--	--	--	(377)	28,543	(10,338)	18,205
Total	28,543	(9,961)	18,582	--	--	--	--	--	--	--	(377)	28,543	(10,338)	18,205

Investment property has gone from € 18,582 thousand at 31 December 2017 to € 18,205 thousand at 30 June 2018, mainly due to depreciation for the period.
The market value is considerably higher than the carrying amount.

DEPRECIATION RATES

Description	%
Buildings	3%

The position of leases included in property, plant and equipment and of any restrictions on such assets for guarantees and commitments at 30 June 2018 and 31 December 2017 is as follows:

<i>(in thousands of euro)</i>	<i>Gross lease amount</i>		<i>Accumulated depreciation</i>		<i>Restrictions for guarantees and commitments</i>	
	<i>30.06.2018</i>	<i>31.12.2017</i>	<i>30.06.2018</i>	<i>31.12.2017</i>	<i>30.06.2018</i>	<i>31.12.2017</i>
Land	3,503	3,503	--	--	--	--
Buildings	63,127	63,097	9,710	8,607	131,178	131,178
Plant and machinery	20,727	20,437	13,085	11,746	--	--
Other assets	80	78	80	78	--	--
Assets under construction and payment on account	--	--	--	--	--	--

3.d. Equity-accounted investments

<i>(in thousands of euro)</i>	<i>%</i>	<i>Balance 31.12.2017</i>	<i>Increases (Decreases)</i>	<i>Impairment losses</i>	<i>Dividends</i>	<i>Pro-rata share of result</i>		<i>Other changes</i>	<i>Balance 30.06.2018</i>
						<i>Loss</i>	<i>Profit</i>		
Persidera S.p.A.	30.00	105,727	--	--	(3,231)	(170)	--	--	102,326
Editoriale Libertà S.p.A.	35.00	14,095	--	--	(350)	--	234	--	13,979
Editoriale Corriere di Romagna S.r.l.	49.00	3,267	--	--	--	--	27	--	3,294
Altrimedia S.p.A.	35.00	762	--	--	(53)	--	11	--	720
Le Scienze S.p.A.	50.00	103	--	--	(19)	(23)	--	--	61
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	856	--	--	--	--	2	--	858
Huffingtonpost Italia S.r.l.	49.00	371	--	--	--	--	80	--	451
Total		125,181	--	--	(3,653)	(193)	354	--	121,689

As regards the investment in Persidera S.p.A., the Group's share of the result includes amortisation of the fair value of the digital terrestrial frequencies recorded at the time of acquisition, equal to € 2,077 thousand.

At 31 December 2017, the investments held in Persidera S.p.A., Editoriale Libertà S.p.A. and Editoriale Corriere di Romagna S.r.l. were subjected to impairment tests (using methodologies and assumptions similar to those adopted for the GEDI Group CGU to determine the fair value and value in use, taking into account each company's specific business segments). No impairment adjustments resulted from these tests.

3.e. Other investments

<i>(in thousands of euro)</i>	<i>30.06.2018</i>	<i>31.12.2017</i>
Ansa S. Coop. A.R.L.	2,173	2,173
Emittenti Titoli S.p.A.	--	132
Radio Italia S.p.A.	6,500	6,500
Other	3,444	3,444
Total	12,117	12,249

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

3.f. Other assets

"Other assets" at 30 June 2018 amounted to € 61,156 thousand compared to € 56,754 thousand at 31 December 2017.

The balance at 30 June 2018 is made up of:

- € 10,094 thousand (€ 10,094 thousand at 31 December 2017) of unsecured and mortgage-backed financial assets held by CIR International S.A.;
- € 9,735 thousand (€ 9,735 thousand at 31 December 2017) relating to the amount due from the vendor of the shares in Systèmes Moteurs S.A.S. (booked as part of the Purchase Price Allocation of the Systèmes Moteurs Group) for the recovery of costs arising from disputes about product quality, based on the guarantees given by the vendor. For further details, please refer to the notes to item 10.d "Provisions for risks and charges";
- € 22,266 thousand due from the Treasury to the Sogefi Group, relating to tax assets for research and development of the French subsidiaries.

3.g. Other financial assets

"Other financial assets" at 30 June 2018 amounted to € 62,155 thousand compared to € 58,822 thousand at 31 December 2017 and mainly referred to investments in private equity funds and non-controlling shareholdings. The fair value measurement of these investments led to losses in the income statement for € 3,196 thousand recorded under item 14.e "Fair value gains or losses on financial assets" and exchange rate gains equal to € 1,221 thousand recorded under item 14.a "Financial income". During the period, gains for € 4,900 thousand (€ 6,028 thousand in 2017) were realised and booked to item 14.c. "Gains on securities trading".

At 30 June 2018, the residual commitment for investment in private equity funds stood at € 4.4 million.

3.h. Deferred tax assets and liabilities

The amounts relate to taxes resulting from deductible temporary differences and from benefits deriving from tax losses carried forward, which are deemed to be recoverable.

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

(in thousands of euro)	30.06.2018		31.12.2017	
	Total temporary differences	Tax effect	Total temporary differences	Tax effect
Deductible temporary differences from:				
- fair value losses of current assets	64,145	15,884	67,394	16,746
- fair value losses of non-current assets	84,462	22,828	81,041	21,680
- fair value gains of current liabilities	24,991	7,042	24,549	7,143
- fair value gains of employee benefit obligations	69,827	15,944	73,792	16,807
- fair value gains of provisions for risks and charges	70,116	19,783	72,524	20,710
- fair value gains of long-term borrowings	--	--	--	--
- fair value losses of financial instruments	820	207	840	211
- tax losses from previous years	72,696	18,582	88,745	19,652
Total deferred tax assets	387,057	100,270	408,885	102,949
Taxable temporary differences from:				
- fair value gains of current assets	8,281	1,995	10,916	2,627
- fair value gains of non-current assets	584,773	160,747	549,319	155,145
- fair value losses of current liabilities	54,094	13,223	50,651	12,974
- valuation of employee benefit obligations	3,464	846	2,209	580
- fair value losses of provisions for risks and charges	401	120	401	120
- fair value gains of financial instruments	6	1	11	3
Total deferred tax liabilities	651,019	176,932	613,507	171,449
Net deferred taxes		(76,662)		(68,500)

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 € 390.5 million, which can be carried forward without any limit, and to other Group companies for € 92.8 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.

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

(in thousands of euro)	Balance at 31.12.2017	Use of deferred taxes from prior years	Deferred taxes generated in the period	Exchange rate differences and other changes	Balance at 30.06.2018
Deferred tax assets:					
- income statement	83,535	(3,202)	717	--	81,050
- equity	19,414	--	130	(324)	19,220
Deferred tax liabilities:					
- income statement	(146,135)	641	(4,651)	(2,565)	(152,710)
- equity	(25,314)	12	(618)	1,698	(24,222)
Net deferred taxes	(68,500)				(76,662)

4. Current assets

4.a. Inventories

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Raw materials, supplies and consumables	79,319	75,649
Work in progress and semi-finished products	16,677	15,492
Finished products and goods	47,413	48,081
Payments on account	507	--
Total	143,916	139,222

The inventories are shown net of any fair value losses made either in past years or this period and takes into account the degree of obsolescence of finished products, goods and supplies.

4.b. Trade receivables

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Receivables - customers	481,747	470,937
Receivables - parents	172	122
Receivables - associates	1,584	1,677
Total	483,503	472,736

The increase in "Receivables - customers" is essentially attributable to the KOS group.

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

Trade receivables are shown net of any impairment losses that take credit risk into account.

In the first half of 2018, accruals to the loss allowance were made for a total of € 2,469 thousand (€ 1,681 thousand in the first half of 2017).

"Receivables - parents" represents the amounts due to CIR S.p.A. by Cofide S.p.A.

"Receivables - associates" refers to receivables from companies consolidated as part the GEDI group using the equity method.

4.c. Other assets

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Assets from associates	105	105
Tax assets	54,486	48,586
Other assets	57,938	56,109
Total	112,529	104,800

The increase is essentially attributable to the Sogefi group.

4.d. Loan assets

"Loan assets " fell from € 21,717 thousand at 31 December 2017 to € 10,995 thousand at 30 June 2018. This item includes € 3,427 thousand which relates to the fair value measurement of hedge accounting Cross Currency Swap contracts taken out 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 € 5,712 thousand due to the KOS Group by factoring companies for non-recourse assignments.

4.e. Securities

<i>(in thousands of euro)</i>	<i>30.06.2018</i>	<i>31.12.2017</i>
Investment funds and similar funds	22,237	35,132
Certificates of deposit and other securities	11,672	11,795
Total	33,909	46,927

The fair value measurement of "Securities" led to a fair value loss in the income statement of € 779 thousand.

4.f. Other financial assets

This item totals € 267,375 thousand (€ 235,251 thousand at 31 December 2017) and refers for € 44,432 thousand (€ 39,110 thousand at 31 December 2017) to shares 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 € 2,917 thousand. During the period, gains for € 1,802 thousand (€ 2,638 thousand in the same period of 2017) were realised and booked to item 14.c. "Gains on securities trading".

This item also includes € 222,943 thousand (€ 196,141 thousand at 31 December 2017) 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 period came to € 1,362 thousand (€ 1,370 thousand in the same period of 2017). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in a loss in the income statement of € 157 thousand.

4.g. "Cash and cash equivalents" and "Bank loans and borrowings"

"Cash and cash equivalents" went from € 261,484 thousand at 31 December 2017 to € 234,331 thousand at 30 June 2018.

"Bank loans and borrowings" went from € 17,551 thousand at 31 December 2017 to € 6,746 thousand at 30 June 2018.

A breakdown of the changes is given in the statement of cash flows.

4.h. Assets and liabilities held for sale

The "assets held for sale" of € 2,341 thousand refer to a plot of land and a building belonging to Sogefi Suspension France S.A., which were reclassified to this item as their sale is expected to take place in the next twelve months.

5. Equity

5.a. Share capital

Share capital at 30 June 2018 amounted to € 397,146,183.50 , the same as at 31 December 2017, and consisted of 794,292,367 shares with a nominal value of € 0.50 each.

At 30 June 2018 the parent held 144,785,210 treasury shares (18.228% of the share capital) for a value of € 202,165 thousand, compared to 138,167,259 treasury shares (17.395% of the share capital) for a value of € 194,889 thousand at 31 December 2017. The net increase was caused by the purchase of 6,714,945 shares less the exercise of stock grants for 96,994 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 30 June 2014 the Board of Directors was authorised to increase the share capital once or more by a maximum of € 500 million (nominal value) and for a further maximum of € 20 million (nominal value) in favour of employees of the Company and its subsidiaries and parents.

The Board of Directors also has the right for a period of five years from 30 June 2014 to issue, on one or more occasions, even with the exclusion of option rights, and in this case in favour of institutional investors, convertible bonds or bonds with warrants, also in foreign currency, if permitted by law, with a corresponding increase in share capital - within the limit of ten percent of the existing share capital if option rights are excluded - up to a maximum amount of € 500 million.

Regarding stock option plans and stock grants, at 30 June 2018 there were 24,108,194 options outstanding, corresponding to an equivalent number of shares.

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

5.b. Reserves

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

<i>(in thousands of euro)</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translation reserve</i>	<i>Reserve for treasury shares</i>	<i>Stock option and stock grant reserve</i>	<i>Other reserves</i>	<i>Total reserves</i>
Balance at 31 December 2016	38,845	115,969	23,531	(6,285)	64,283	18,570	55,937	310,850
Capital increases	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of the Bylaws	--	--	--	--	--	--	7	7
Fair value gains/losses on cash flow hedges	--	--	1,768	--	--	--	--	1,768
Fair value gains (losses) on securities	--	--	(955)	--	--	--	--	(955)
Fair value losses on securities reclassified to profit or loss	--	--	(1,537)	--	--	--	--	(1,537)
Fair value gains (losses) on treasury share transactions	1,661	--	--	--	4,800	--	--	6,461
Reclassifications	--	--	--	--	--	(4,903)	--	(4,903)
Notional cost of stock options credited	--	--	--	--	--	1,801	--	1,801
Effects of changes in equity attributable to subsidiaries	--	--	29	121	--	--	(26,819)	(26,669)
Actuarial gains (losses)	--	--	--	--	--	--	1,084	1,084
Translation differences	--	--	--	(15,362)	--	--	--	(15,362)
Balance at 31 December 2017	40,506	115,969	22,836	(21,526)	69,083	15,468	30,209	272,545
Adjustments FTA of IFRS 15	--	--	--	208	--	--	(6,543)	(6,335)
Balance restated at 31 December 2017	40,506	115,969	22,836	(21,318)	69,083	15,468	23,666	266,210
Adjustments FTA of IFRS 9	--	--	(25,448)	(6,632)	--	--	(1,300)	(33,380)
Balance restated at 1 January 2018	40,506	115,969	(2,612)	(27,950)	69,083	15,468	22,366	232,830
Capital increases	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of the Bylaws	--	--	--	--	--	--	--	--
Fair value measurement of cash flow hedges	--	--	723	--	--	--	--	723
Fair value gains (losses) on treasury share transactions	135	--	--	--	3,310	--	--	3,445
Reclassifications	--	--	--	--	--	(2,045)	--	(2,045)
Notional cost of stock options credited	--	--	--	--	--	894	--	894
Effects of changes in equity attributable to subsidiaries	--	--	4	49	--	--	(339)	(286)
Actuarial gains (losses)	--	--	--	--	--	--	534	534
Translation differences	--	--	--	(3,731)	--	--	--	(3,731)
Balance at 30 June 2018	40,641	115,969	(1,885)	(31,632)	72,393	14,317	22,561	232,364

The "Fair value reserve", net of tax, was negative for € 1,885 thousand and refers to the measurement of hedges.

The "Translation reserve" had a negative balance of € 31,632 thousand at 30 June 2018 with the following breakdown:

<i>(in thousands of euro)</i>	<i>01.01.2018</i>	<i>Increases</i>	<i>Decreases</i>	<i>30.06.2018</i>
Sogefi group	(27,919)	--	(3,624)	(31,543)
KOS group	115	--	(59)	56
Other	(146)	1	--	(145)
Total	(27,950)	1	(3,683)	(31,632)

"Other reserves" had the following breakdown:

<i>(in thousands of euro)</i>	
Reserve for capital increases	3
Statutory reserve	179
Reserve for the difference between the carrying amounts of investee companies and the respective portions of consolidated equity	22,379
Total	22,561

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

<i>(in thousands of euro)</i>	<i>Number of shares</i>	<i>Value</i>
Balance at 31 December 2017	138,167,259	194,889
Increases (decreases)	6,617,951	7,276
Balance at 30 June 2018	144,785,210	202,165

The "increases (decreases)" are stated net of the shares assigned following the exercise of stock grant plans.

5.c. Retained earnings (losses carried forward)

The changes in Retained earnings (losses carried forward) are shown in the "Statement of Changes in Equity".

6. Non-current liabilities

6.a. Bonds

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

<i>(in thousands of euro)</i>	<i>30.06.2018</i>	<i>31.12.2017</i>
GEDI Gruppo Editoriale S.p.A. 2.625% 2014/2019 Convertible Bond	--	87,906
Sogefi S.p.A. Bond 2013/2020 in USD	56,151	68,253
Sogefi S.p.A. Bond 2013/2020	24,974	24,967
Sogefi S.p.A. 2% 2014/2021 Convertible Bond	87,593	85,678
Private Placement KOS S.p.A. 2017/2024	63,586	63,553
Private Placement KOS S.p.A. 2017/2025	34,770	34,755
Total	267,074	365,112

Note that the GEDI Gruppo Editoriale S.p.A. 2014/2019 Convertible Bond has been reclassified under item 11.a "Bonds" in current liabilities.

6.b. Other loans and borrowings

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Collateralised bank loans and borrowings	41,176	45,758
Other bank loans and borrowings	205,976	165,951
Leases	62,474	68,092
Other liabilities	2,721	2,062
Total	312,347	281,863

This item consists of loans to Sogefi group companies for € 184,137 thousand, loans to KOS group companies for € 121,229 thousand and loans to companies of the GEDI group for € 6,981 thousand.

6.c. Employee benefit obligations

The details of this item are as follows:

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Post-employment benefits (TFR)	80,972	81,926
Pension funds and similar obligations	56,269	57,809
Total	137,241	139,735

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Opening balance	139,735	131,058
Accrual for labour provided during the period	12,238	22,955
Increases for interest	1,040	1,956
Actuarial gains or losses	(1,137)	(3,495)
Benefits paid	(5,124)	(10,550)
Increases or decreases due to changes in the consolidation scope	692	16,227
Other changes	(10,203)	(18,416)
Closing balance	137,241	139,735

6.d. 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 2017	19,538	2,623	18,214	28,522	68,897
Provisions for the period	519	1,093	425	58	2,095
Uses	(1,019)	(1,626)	(344)	(685)	(3,674)
Exchange rate losses	--	--	(13)	(670)	(683)
Other changes	(1,918)	--	--	263	(1,655)
Balance at 30 June 2018	17,120	2,090	18,282	27,488	64,980

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 2017	5,965	10,342	54,937	71,244
Provisions for the period	--	--	4,207	4,207
Uses	(2,349)	(1,115)	(7,095)	(10,559)
Exchange rate gains (losses)	--	--	4	4
Other changes	2,012	--	1,665	3,677
Balance at 30 June 2018	5,628	9,227	53,718	68,573

The provision for product warranties includes € 16.3 million allocated by the Sogefi Group to cover claims from two customers relating to the supply from 2010 onwards of a defective part by Sogefi Air & Cooling S.A.S. (formerly Systèmes Moteurs S.A.S., "SM"), before and after its acquisition by Dayco Europe S.r.l. (in 2011). In the parent's opinion, the defect was caused by a thermostat at the base of the component, made by a supplier of SM; in 2012 the subsidiary started a lawsuit against the supplier in a French court, asking for a refund of any compensation that it might have to pay to the customers.

The court appointed an expert in 2012 and the lawsuit involved a technical inspection with a view to defining the reasons for the product defect. Subsequently, both subcontractors and customers got involved in this process, as was Dayco.

The main task of the expert is to ascertain the nature of the defect, the responsibilities of the various parties involved and the extent of the damage.

To date, the expert has established that the defect originated in the thermostat made by SM's supplier.

Regarding the responsibilities of the parties involved, the expert is analysing the different stages of the product approval procedure to determine the relative division of responsibilities among the various parties involved (the thermostat supplier, its subcontractors, SM, as a supplier of first level, and customers).

As for quantification of the damages, the expert was asked to assess the reasonableness of the amounts quantified by customers for the division of the damages among the various parties involved once they have been definitively quantified.

As regards the extent of the damages, total claims amount to € 165.4 million, broken down as follows:

- € 112.4 million for past and future campaigns;
- € 31.5 million for interest and other costs;
- € 21.5 million for reputational damage and loss of earnings.

Based on the current proceeding, the subsidiary and its legal counsel believe that the likelihood of a liability of € 21.5 million as a result of this claim is remote.

As regards the request for € 31.5 million for interest and other costs, the subsidiary, supported by its legal counsel, restated the amounts in respect of which customers provided details and, in a prudent manner, fully considered the amounts in respect of which details have not yet been provided.

Based on the foregoing, the claim considered by the subsidiary today amounts to € 132.9 million.

The subsidiary carried out a detailed analysis of the claim in order to identify the periods of production and estimated that, prior to any distribution of responsibilities, € 64.1 million relate to production runs prior to the acquisition of SM and € 68.8 million to post-acquisition output.

In this regard, in May 2016, the subsidiary received the outcome of the international arbitration against Dayco for the recovery of costs incurred after the acquisition of SM.

In a nutshell, the arbitration confirmed a general principle that an indemnity should be paid by Dayco in favour of Sogefi for a claim relating to production prior to the acquisition of SM by Sogefi, condemning Dayco to pay compensation of € 9.4 million for the claims already settled (also consisting of amounts paid in connection with the defective component). The arbitration award was collected at the end of 2016. In 2017, an additional amount of € 0.3 million was collected for further claims still pending between Sogefi and Dayco at the end of 2016.

The general principle that an indemnity should be paid will, where appropriate, be applied against Dayco Europe S.r.l. in relation to amounts paid to customers for production of the defective part prior to the acquisition of SM by Sogefi.

On the other hand, the arbitration makes Sogefi responsible for any claim payments relating to production subsequent to the acquisition.

As for claims relating to post-acquisition production, the parent estimates a total of € 68.8 million before a possible division of responsibilities between the various parties involved (supplier of the thermostat, its subcontractors, SM and the customers).

The parent, supported by its legal counsel, thinks it is possible that only a portion of these amounts will be recognised by the expert.

SM has paid € 21 million on a provisional basis to meet customers' demands. These amounts were paid under so-called "standstill agreements" without any admission of responsibility. These amounts will be adjusted and possibly partially reimbursed once the judgement on the matter is issued, i.e. under later settlement agreements.

At the end of 2016, the subsidiary had a provision for product warranties, less the € 21 million already paid, totalling € 16.3 million. The subsidiary, supported by its legal counsel, has confirmed that this provision is considered prudent.

With reference to the compensation expected from the seller of the shares in SM, it should be noted that in 2011 the Sogefi group recorded in its condensed interim consolidated financial statements an indemnification asset of € 23.4 million, having received from the seller, Dayco contractual guarantees relating to defective products outstanding at the date of acquisition, including the one described above.

Based on the outcome of the arbitration, in 2016 the subsidiary has reduced its expected recoveries from Dayco by € 4 million and has, therefore, written down its indemnification asset by that amount at 31 December 2016.

The residual value of the indemnification asset, after the fair value loss and the proceeds from the award, comes to € 9.7 million at 31 December 2017.

Lastly, note that the award has been the subject of a partial appeal before the Milan Court of Appeal, both by Sogefi and by Dayco. Sogefi has challenged the part of the award ruling that it would have to pay for claims relating to products made after the acquisition; Dayco has challenged the part of the award that confirmed the validity of the compensation in favour of Sogefi foreseen in the acquisition agreement. In this latter regard, at present, the validity has been confirmed both by the award and, on a preliminary basis, in the context of the case brought by Dayco to obtain a declaration of suspension of enforceability of the award; this request was rejected by the Milan Court of Appeal which confirmed the enforceability of the award.

These are complex procedures, which include an assessment of the technical, legal and market aspects; there is considerable uncertainty about what the final decisions by the French court and the arbitration panel will be. The estimate of the risk provision and the recovery of the assets that have been recognised is based on the best information available during the preparation of the condensed interim consolidated financial statements. They are subject to evolution over time on the basis of events as they materialise.

Apart from the libel disputes regarding the GEDI Group, which are typical of all publishing businesses, the provision for disputes pending also covers risks for 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 and GEDI Groups.

The provision for other risks is mainly to cover tax disputes pending with local tax authorities.

7. Current liabilities

7.a. Bonds

This item, totalling € 112,658 thousand, includes € 96,261 thousand for the current portion of the GEDI Gruppo Editoriale S.p.A. 2014/2019 Convertible Bond, € 14,092 thousand for the current portion of the Sogefi S.p.A. Bond 2013/2023 denominated in USD and € 2,305 thousand for the current portion of the private placements issued by KOS S.p.A.

7.b. Other loans and borrowings

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Collateralised bank loans and borrowings	8,824	9,300
Other bank loans and borrowings	68,443	48,727
Leases	11,850	12,542
Other	79,258	82,594
Total	168,375	153,163

This item consists of loans to GEDI group companies for € 76,661 thousand, loans to Sogefi group companies for € 62,171 thousand, loans to companies of the KOS group for € 29,150 thousand and the amount due for the valuation of foreign exchange derivatives of CIR International S.A. for € 393 thousand.

7.c. Trade payables

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Payables - parents	57	14
Payables - subsidiaries and joint ventures	9	9
Payables - associates	2,207	1,821
Payables - suppliers	466,070	460,544
Payments on account	45,829	50,899
Total	514,172	513,287

"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.

"Payables - parents" at 31 December 2017 refers to payables due by the GEDI group to the parent COFIDE S.p.A.

7.d. Other liabilities

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
Due to employees	86,760	74,322
Tax liabilities	81,517	75,405
Social security liabilities	42,136	51,115
Other	51,555	59,178
Total	261,968	260,020

"Tax liabilities" include an amount of € 35,381 thousand relating to the GEDI group for the third instalment, paid on 2 July 2018, of the facilitated settlement provided for under art. 11 of Decree Law 50/2017 converted by Law 96/2017 of the tax dispute about events dating back to 1991 and the subject of sentence 64/9/2012 of the Regional Tax Commission of Rome.

"Other" for the Sogefi group includes an amount of € 16,423 thousand relating to the fair value of the liability that arose on exercising the put option held by the non-controlling shareholders of Sogefi M.N.R. Engine Systems India Pvt Ltd for 30% of its share capital. The fair value of the liability, which represents a reasonable estimate of the strike price of the option, was determined with the discounted cash flow method using the cash flows of the subsidiary's 2018 budget and business plan for the years 2019-2022. The non-controlling shareholders exercised the option in October 2017.

NOTES TO THE INCOME STATEMENT

8. Revenue

■ BREAKDOWN BY BUSINESS SEGMENT

<i>(in millions of euro)</i>	<i>1st half 2018</i>		<i>1st half 2017</i>		<i>Change</i>
	<i>amount</i>	<i>%</i>	<i>amount</i>	<i>%</i>	
Automotive components	839.1	58.7	857.5	62.8	(2.1)
Media	322.5	22.5	268.3	19.7	20.2
Healthcare	269.5	18.8	239.1	17.5	12.7
Total consolidated revenue	1,431.1	100.0	1,364.9	100.0	4.9

■ BREAKDOWN BY GEOGRAPHICAL AREA

<i>(in millions of euro)</i>							
<i>1st half 2018</i>	<i>Total revenue</i>	<i>Italy</i>	<i>Other European countries</i>	<i>North America</i>	<i>South America</i>	<i>Asia</i>	<i>Other countries</i>
Automotive components	839.1	50.1	466.4	152.9	82.8	83.6	3.3
Media	322.5	322.5	--	--	--	--	--
Healthcare	269.5	258.2	4.8	--	--	6.5	--
Total consolidated revenue	1,431.1	630.8	471.2	152.9	82.8	90.1	3.3
Percentages	100.0%	44.1%	32.9%	10.7%	5.8%	6.3%	0.2%

<i>1st half 2017</i>	<i>Total revenue</i>	<i>Italy</i>	<i>Other European countries</i>	<i>North America</i>	<i>South America</i>	<i>Asia</i>	<i>Other countries</i>
Automotive components	857.5	55.9	453.4	165.2	94.0	81.6	7.4
Media	268.3	268.3	--	--	--	--	--
Healthcare	239.1	231.9	3.1	--	--	4.1	--
Total consolidated revenue	1,364.9	556.1	456.5	165.2	94.0	85.7	7.4
Percentages	100.0%	40.8%	33.4%	12.1%	6.9%	6.3%	0.5%

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

9. Operating costs and income

9.a. Costs for the purchase of goods

Costs for the purchase of goods rose from € 508,082 thousand in the first half of 2017 to € 513,486 thousand in the corresponding period of 2018. The increase is mainly attributable to the GEDI group.

9.b. Costs for services

This item went from € 307,062 thousand in the first half of 2017 to € 339,107 thousand in the first half of 2018, as can be seen from the following breakdown:

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Technical and professional consulting	51,252	45,917
Distribution and transport costs	56,353	44,268
Outsourcing	17,724	16,747
Other	213,778	200,130
Total	339,107	307,062

The increase is mainly attributable to the GEDI group.

9.c. Personnel expenses

Personnel expenses amounted to € 393,553 thousand in the first half of 2018 (€ 362,817 thousand in the first half of 2017) and are made up as follows:

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Salaries and wages	274,481	250,610
Social security contributions	86,046	78,930
Post-employment benefits	10,966	9,421
Pensions and similar benefits	1,272	2,030
Valuation of stock option plans	1,842	1,792
Other costs	18,946	20,034
Total	393,553	362,817

The increase is mainly attributable to the GEDI and KOS groups.

The Group had an average of 16,005 employees in the first half of 2018 (14,414 in the first half of 2017).

9.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Grants related to income	523	71
Gains on asset disposals	1,813	822
Prior period and other income	12,306	12,244
Total	14,642	13,137

9.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Impairment and credit losses	2,310	1,959
Accruals to provisions for risks and charges	1,708	4,432
Indirect taxes	15,885	16,152
Restructuring charges	2,579	4,368
Losses on asset disposals	1,750	529
Prior period losses and other costs	9,303	7,027
Total	33,535	34,467

"Restructuring charges" relate to the costs involved in the restructuring plans already being implemented by the Sogefi group.

10. Financial income and expense

10.a. Financial income

This item includes the following:

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Interest income on bank accounts	188	206
Interest income on securities	347	408
Other interest income	2,572	2,466
Interest rate derivatives	1,615	2,051
Exchange rate gains	403	121
Other financial income	--	--
Total	5,125	5,252

10.b. Financial expense

This item includes the following:

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Interest expense on bank accounts	5,524	4,650
Interest expense on bonds	9,871	10,201
Other interest expense	3,669	3,696
Interest rate derivatives	4,634	3,101
Exchange rate losses	29	44
Other financial expenses	5,065	4,277
Total	28,792	25,969

10.c. Gains from securities trading

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

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Other securities and other gains	6,735	8,703
Total	6,735	8,703

10.d. Losses from securities trading

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

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Other securities and other losses	395	33
Total	395	33

10.e. Fair value gains (losses) on financial assets

The net loss of € 1,215 thousand refers for € 1,981 thousand to the fair value gain on "Securities" and "Other financial assets" classified as current assets, and for € 3,196 thousand to the fair value loss of "Other financial assets" classified as non-current assets.

11. Income taxes

Income taxes can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2018</i>	<i>1st half 2017</i>
Current taxes	15,272	15,935
Deferred taxes	6,836	8,667
Income taxes from prior periods	37	44
Total	22,145	24,646

12. Profit (loss) from discontinued operations

The balance for the first half of 2017 included the deferred payment for the sale of All Music to Discovery by the GEDI group, which took place in January 2015.

13. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to the ordinary shareholders by the weighted average number of shares in circulation. Diluted earnings per share is calculated by dividing the profit for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation, adjusted for the dilutive effect of outstanding options. 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 year was used. The average fair value of each CIR ordinary share in the first half of 2018 was € 1.1091 compared to an average fair value of € 1.2848 in the first half of 2017.

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

Basic earnings (loss) per share

	<i>1st half 2018</i>	<i>1st half 2017</i>
Profit attributable to the owners of the parent (in thousands of euro)	25,357	26,752
Weighted average number of ordinary shares in circulation	653,357,631	663,099,713
Basic earnings per share (in euro)	0.0388	0.0403

	<i>1st half 2018</i>	<i>1st half 2017</i>
Comprehensive income attributable to the owners of the parent (in thousands of euro)	22,883	16,658
Weighted average number of ordinary shares in circulation	653,357,631	663,099,713
Basic comprehensive income earnings per share (in euro)	0.0350	0.0251

Diluted earnings per share

	<i>1st half 2018</i>	<i>1st half 2017</i>
Profit attributable to the owners of the parent (in thousands of euro)	25,357	26,752
Weighted average number of ordinary shares in circulation	653,357,631	663,099,713
Weighted average number of options	5,363,060	4,643,472
No. of shares that could have been issued at fair value	(3,848,716)	(3,340,128)
Adjusted weighted average number of shares in circulation	654,871,975	664,403,057
Diluted earnings per share (in euro)	0.0387	0.0403

	<i>1st half 2018</i>	<i>1st half 2017</i>
Comprehensive income attributable to the owners of the parent (in thousands of euro)	22,883	16,658
Weighted average number of ordinary shares in circulation	653,357,631	663,099,713
Weighted average number of options	5,363,060	4,643,472
No. of shares that could have been issued at fair value	(3,848,716)	(3,340,128)
Adjusted weighted average number of shares in circulation	654,871,975	664,403,057
Diluted comprehensive earnings per share (in euro)	0.0349	0.0251

14. Dividends paid

Dividend payments during the first half of 2018 amounted to € 24,764 thousand, being € 0.038 per share.

15. Financial risk management: additional disclosures (IFRS 7)

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 (exchange rate 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.

15.a. Market risk

Foreign 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 Euro Area, but it is subject to foreign 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.

15.b. Credit risk

Credit risk can be valued 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" sector 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 "Media" sector does not have any significant areas of credit risk and in any event the group adopts operating procedures that prevent the sale of products or services to customers without an adequate credit profile or collateral.

The "Healthcare" sector has different concentrations of assets depending on the nature of the activities carried on 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 assets 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 structure and whose assets recorded in the financial statements from public entities (mainly local health authorities and municipalities) are due from a plurality of subjects. The

concentration of assets 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 derive from a single subject. The monitoring of credit risk versus customers includes grouping assets together by type, age, whether the company is in financial difficulty or is involved in disputes and the existence of legal or insolvency proceedings.

15.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 segment 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 structures. Treasury management is centralised for the operating groups.

15.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 bank loans and borrowings.

15.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 to equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to 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 to equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to 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 to equity and the ineffective part, if any, to 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%.

15.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.

15.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 30 June 2018, 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 outstanding at the end of the first half of 2018.

► GEDi group

The Convertible Bond 2014/2019 and related interest payments are not backed by specific guarantees nor are there any covenants or clauses that could trigger early repayment.

► Sogefi group

The covenants relating to the borrowing outstanding at 30 June 2018 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 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 4;
- 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 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 4;
- loan of € 70,000 thousand - BNP Paribas S.A.: 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 expenses not less than 4;

- 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 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 4;
- 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 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 4;
- 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 expenses 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 expenses not less than 4.

At 30 June 2018, these covenants were all respected.

► 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 expenses greater than or equal to 3 and a loan to value ratio less than 60%;

At 30 June 2018, these covenants were all respected.

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.

15.h. Measurement 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 on 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 bid-ask spread and a sufficiently limited volatility, the fair value of these instruments is measured principally on the basis of prices supplied by leading international brokers at the company'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.

During the first half of 2018 there were no transfers between the various levels of the fair value hierarchy. In detail, financial assets classified as level 3 refer for € 154,915 thousand to capitalisation policies (so-called Class I), subscribed with leading insurance companies by CIR Investimenti S.p.A., and € 134 thousand to venture capital investments held by CIR International S.A., for investments in companies operating in the IT and communication sector.

The following table shows the change in financial assets measured at fair value (Level 3) during the period:

FINANCIAL ASSETS				
<i>(in thousands of euro)</i>				
	<i>Held for trading</i>	<i>Measured at fair value</i>	<i>Other financial assets</i>	<i>Hedges</i>
Opening balance at 1 January 2018	--	--	127,939	--
Increases				
- Purchases	--	--	26,000	--
- Gains recognised in:				
Profit or loss (1)	--	--	1,110	--
- of which gains	--	--	--	--
Equity	--	--	--	--
Transferred from other levels	--	--	--	--
Other increases	--	--	--	--
Reclassifications	--	--	--	--
Decreases				
- Sales	--	--	--	--
- Repayments	--	--	--	--
- Losses recognised in:				
Profit or loss (2)	--	--	--	--
- of which losses	--	--	--	--
Equity	--	--	--	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	--	--
Closing balance at 30 June 2018	--	--	155,049	--

(1-2) Increases/decreases in financial assets are recognised to the income statement under the following headings:

- Item 14.c.: Gains on securities trading
- Item 14.d.: Losses from securities trading
- Item 14.e.: Fair value gains or losses on financial assets

16. Guarantees and commitments

At 30 June 2018 the position of guarantees and commitments was the following:

► CIR and financial holding companies

Commitments for private equity fund investments by CIR International S.A. for € 4.4 million.

► GEDI group

At 30 June 2018 the group had outstanding commitments of € 30,567 thousand in relation to:

- contracts for the purchase of plants and other printing equipment for € 1,331 thousand;
- guarantees given by the parent to the companies involved in the group VAT return for € 22,370 thousand;
- other guarantees for € 6,866 thousand, which mainly relate to guarantees given by the parent and the subsidiaries A. Manzoni & C. S.p.A. and GEDI News Network S.p.A.

► Sogefi group

Operating leases

For accounting purposes, leases and rental contracts are classified as operating leases when the following conditions apply:

- a significant part of the risks and benefits of ownership are retained by the lessor;
- there are no bargain purchase options for the asset at the end of the lease;
- the duration of the contract does not cover most of the useful life of the asset being leased or rented;
- at the beginning of the contract, the present value of the minimum lease payments is lower than the fair value of the asset being leased.

Instalment payments for operating leases are booked to the income statement in line with the underlying contracts.

The main operating leases outstanding at 30 June 2018 refer to the following companies:

- Sogefi Filtration do Brasil Ltda. for the lease of the Jarinu, production site, the contract of which will expire in August 2034. At 30 June 2018 the remaining instalments amount to € 21,379 thousand, of which € 1,379 thousand due within one year. Against this contract, the company gave a bank guarantee for € 1,668 thousand;
- Sogefi (Suzhou) Auto Parts Co. Ltd for the lease of the production site located in Wujiang, for which the contract terminates in September 2033. At 30 June 2018 the residual instalments amount to € 12,599 thousand, of which € 337 thousand due within one year. The group has not given any form of guarantee on this contract;
- Sogefi Filtration France S.A. for the lease of the Guyancourt offices. The two contracts terminate in March 2020 and May 2027. At 30 June 2018 the remaining instalments amount to € 4,591 thousand, of which € 515 thousand due within one year. The group has not given any form of guarantee on this contract;

- Sogefi Air & Cooling Canada Corp. for the lease of the Montreal production site. The contract terminates in December 2021 and at 30 June 2018 the residual instalments amount to € 2,869 thousand, of which € 1,051 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 100% of the residual lease instalments;
- Sogefi Engine Systems Mexico S. de R.L. de C.V. for the lease of the Monterrey production site. The contract terminates in June 2031 and at 30 June 2018 the residual instalments amount to € 20,260 thousand, of which € 1,401 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 100% of the residual lease instalments.

Investment commitments

At 30 June 2018 there are binding commitments for investments relating to the purchase of tangible assets of € 2,056 thousand.

Guarantees given

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	<i>30.06.2018</i>	<i>31.12.2017</i>
Guarantees given to third parties	4,904	7,210
Other unsecured guarantees given to third parties	2,541	2,541
Secured guarantees given for borrowings shown in the financial statements	1,598	2,130

The sureties given in favour of third parties relate to guarantees given to certain customers, to suppliers for operating lease contracts and to the Tax Authorities for VAT and other indirect taxes; sureties are shown at the value of the outstanding commitment as of the reporting date.

"Other unsecured guarantees given to third parties" refer to the commitment of 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 exclusively to the subsidiaries Sogefi Air & Cooling Canada Corp. and Allevard IAI Suspensions Private Ltd which, for the loans obtained, have granted to the lenders secured guarantees over their property, plant and equipment and trade receivables.

Other risks

At 30 June 2018 the Sogefi group held assets belonging to third parties on its premises for € 14,975 thousand.

► KOS group

The following is a breakdown of the bank guarantees and other sureties given by the KOS group for a total of € 19,915 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 € 18,813 thousand;
- a guarantee on behalf of Medipass S.r.l. and its subsidiaries for lease contracts worth € 831 thousand;
- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand.

At 30 June 2018, other commitments and risks amounted to € 6,402 thousand, mainly related to:

- assets on free loan for € 2,986 thousand;
- guarantees issued by Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand;
- tenders for € 64 thousand;
- third-party commitments to sell for € 365 thousand;
- contractual commitments of around € 2,034 thousand.

The group carries on its business activities in premises, some of which are owned, others rented. Lease contracts vary in duration from 3 to 9 years and are generally renewable. Of the 51 care homes for the elderly in operation at 30 June 2018, 13 are owned, as well as 8 of the 33 functional and psychiatric rehabilitation facilities are owned. The other facilities (day hospitals, psychiatric treatment communities, diagnostics departments) are generally leased.

17. Information on the business segments

The business segment 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 interim report on operations, whereas details of revenue by geographical area (secondary sector) can be found in Note 12.

18. Joint ventures

The group does not hold equity investments in joint ventures at 30 June 2018.

19. Net financial indebtedness

The net financial position can be analysed as follows:

<i>(in thousands of euro)</i>	30.06.2018	31.12.2017
A. Cash and bank deposits	234,331	261,484
B. Other cash equivalents	267,375	235,251
C. Securities held for trading	33,909	46,927
D. Cash and cash equivalents (A)+(B)+(C)	535,615	543,662
E. Current loans assets	10,995	21,717
F. Current bank loans and borrowings	(*) (84,013)	(*) (75,578)
G. Bonds	(112,658)	(20,168)
H. Current portion of non-current debt	(91,108)	(95,136)
I. Other current loans and borrowings	--	--
J. Current financial indebtedness (F)+(G)+(H)+(I)	(287,779)	(190,882)
K. Current net financial indebtedness (J)+(E)+(D)	258,831	-374,497
L. Non-current bank loans and borrowings	(**) (247,152)	(**) (211,709)
M. Bonds issued	(267,074)	(365,112)
N. Other non-current liabilities	(**) (65,195)	(**) (70,154)
O. Non-current financial indebtedness (L)+(M)+(N)	(579,421)	(646,975)
P. Net financial indebtedness (K)+(O)	(320,590)	(272,478)

(*) 77,267 thousand (€ 84,013 - € 6,746) is classified in the Statement of Financial Position under "Other loans and borrowings".

(**) Classified under "Other loans and borrowings" – Non-current Liabilities

For an analysis of the changes that took place during the period, reference should be made to the "statement of cash flows" in the report on operations prepared according to a management format.

20. Disputes

Certain group companies have legal disputes pending, against which their Boards have set aside risk accruals for amounts that are considered appropriate, taking into account the opinion of their consultants regarding the likelihood that significant liabilities will actually occur.

GEDI Gruppo Editoriale S.p.A. made use of the option provided for in art. 11 of Decree Law 50/2017, converted by Law 96/2017 (hereinafter the "Decree"), to settle the tax dispute relating to facts dating back to 1991 and the subject of sentence 64/9/2012 of the Regional Tax Commission of Rome concerning the 1991 IRPEG and ILOR assessments; these investigations gave rise to the following main findings in terms of tax avoidance:

- the Tax Authorities challenged the tax benefits resulting from the reorganisation of the Editoriale L'Espresso group that followed the break-up of the Mondadori group (in particular, the benefits arising from the merger of Editoriale La Repubblica S.p.A. with Cartiera di Ascoli S.p.A., which then adopted its name);
- they also challenged the benefits relating to transactions involving beneficial interests in shares with foreign entities, especially those relating to the tax credit on dividends and related withholding taxes, as well as the accrued interest.

As regards the beneficial interest in shares, the Tax Authorities challenged the same types of benefits also for the three subsequent tax periods. Assessing the risk as "probable", the company set aside specific accruals in previous years: at 31 December 2016, the provision relating to this case amounted to € 35.5 million. Lastly, in 2012, following a favourable ruling from the Supreme Court that annulled the case, the accruals recorded in relation to 1992 has been released.

On the first matter, which only concerns 1991, with this judgement, the Regional Tax Commission upheld the position of the Tax Authorities in relation to the most important item in dispute from an economic point of view, which concerned the corporate restructuring, whereas it dismissed the question concerning beneficial interests. Re-evaluating the situation as of 31 December 2016, this judgement would indicate a maximum amount at risk of € 376.6 million (of which additional taxes assessed of € 121.4 million, interest of € 121.4 million and penalties of € 133.8 million).

In 2017, while reiterating its conviction as to the legality of the transaction being challenged by the Tax Authorities, the parent decided to take advantage of the possibility offered by the Decree to settle the dispute.

For GEDI Gruppo Editoriale S.p.A. this decision means paying a total of € 175.3 million, of which € 140.2 million was already paid in 2017, while the other € 35.1 million was paid on 2 July 2018 as required by law. The provision for risks relating to the question of the beneficial interests involved in the dispute was already reduced in 2017 by € 20.8 million. The value of the provision for risks at 30 June 2018 came to € 14.7 million, also as a result of setting aside € 39 thousand for accrued interest.

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 parent 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.

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 the Italian 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. We would emphasise that no legal action has been taken against the companies concerned or against their directors or current employees.

The Sogefi group is monitoring environmental matters at certain production locations for which no significant costs are expected.

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. (the same findings for 2009) for a total taxable amount of € 1.3 million.

The notices have already been appealed before the Provincial Tax Commission, which issued a ruling that was favourable to the Company.

The sentence was partially appealed by the Provincial Directorate of Mantua, which requested confirmation only of the assessments notified for VAT purposes.

Taking account of the opinion expressed by a tax advisor, the directors consider these assessments to be unfounded and inconsistent with the applicable tax regulations. Accordingly, at present they consider the risk of losing the case to be possible but not probable.

For this reason, the company has not recorded any related tax provisions in the interim financial statements at 30 June 2018.

21. Disclosures regarding share-based payment plans

21.a. Employee payment plans at 30 June 2018 (CIR)

The following chart shows the payment plans of the parent CIR S.p.A.:

CIR - STOCK OPTION PLANS AT 30 JUNE 2018

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options matured during the period		Options in circulation at end of period			Options exercisable at end of period	
	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 - 2nd tranche	3,050,000	2.7344	-	-	-	-	3,050,000	2.7344	-	-	-	-	-
Extraordinary stock option plan - 3rd tranche	3,110,000	1.6806	-	-	-	-	-	-	3,110,000	1.6806	0.25	3,110,000	1.6806
Extraordinary stock option plan - 4th tranche	2,203,500	1.0718	-	-	-	-	-	-	2,203,500	1.0718	0.75	2,203,500	1.0718
1st tranche 2009	1,924,800	0.9907	-	-	-	-	-	-	1,924,800	0.9907	1.25	1,924,800	0.9907
2nd tranche 2009	3,086,000	1.5449	-	-	-	-	-	-	3,086,000	1.5449	1.67	3,086,000	1.5449
1st tranche 2010	3,146,000	1.6208	-	-	-	-	-	-	3,146,000	1.6208	2.25	3,146,000	1.6208
2nd tranche 2010	3,068,000	1.4982	-	-	-	-	-	-	3,068,000	1.4982	2.67	3,068,000	1.4982
Total	19,588,300	1.6489	-	-	-	-	3,050,000	2.7344	16,538,300	1.4487	1.53	16,538,300	1.4487

CIR - STOCK GRANT PLANS AT 30 JUNE 2018

	Instruments outstanding at start of period		Instruments granted during the period		Instruments exercised during the period		Instruments matured during the period		Instruments outstanding at end of period			Instruments exercisable at end of period	
	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 2014	1,661,574	1.1300	-	-	-	-	1,661,574	1.1300	-	-	-	-	-
Stock Grant Plan 2015	1,431,716	1.0916	13,200	1.0720	66,250	1.0916	-	-	1,378,666	1.0916	6.83	391,166	1.0916
Stock Grant Plan 2015 for the General Manager	1,000,000	1.0940	34,923	1.0720	-	-	-	-	1,034,923	1.0940	6.83	1,034,923	1.0940
Stock Grant Plan 2016	1,647,000	1.0587	2,521	1.0720	30,744	1.0587	-	-	1,618,777	1.0587	7.84	74,715	1.0587
Stock Grant Plan 2017	1,464,042	1.4359	-	-	-	-	-	-	1,464,042	1.4359	8.83	-	-
Stock Grant Plan 2018	-	-	2,073,486	0.8799	-	-	-	-	2,073,486	0.8799	9.83	-	-
Total	7,204,332	1.1632	2,124,130	0.8844	96,994	1.0812	1,661,574	1.1300	7,569,894	1.0935	8.25	1,500,804	1.0916

21.b. Employee payment plans at 30 June 2018 (GEDI group)

The following table shows the stock option plans of the GEDI group:

GEDI GRUPPO EDITORIALE - STOCK OPTION PLANS AT 30 JUNE 2018

	Options in circulation at start of period		Options granted during the period		Options cancelled during the period		Options exercised during the period		Options in circulation at end of period			Options exercisable at end of period	
	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	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price
Extraordinary stock option plan 2009 - 2nd tranche	927,500	3.60	--	--	927,500	3.60	--	--	--	--	--	--	--
Extraordinary stock option plan 2009 - 3rd tranche	1,062,500	2.22	--	--	--	--	--	--	1,062,500	2.22	0.25	1,062,500	2.22
Extraordinary stock option plan 2009 - 4th tranche	598,100	1.37	--	--	--	--	--	--	598,100	1.37	0.75	598,100	1.37
Ordinary stock option plan 2009 - 1st tranche	338,850	1.00	--	--	--	--	--	--	338,850	1.00	1.25	338,850	1.00
Ordinary stock option plan 2009 - 2nd tranche	1,608,500	1.86	--	--	--	--	--	--	1,608,500	1.86	1.75	1,608,500	1.86
Ordinary stock option plan 2010 - 1st tranche	1,752,500	2.25	--	--	--	--	--	--	1,752,500	2.25	2.25	1,752,500	2.25
Ordinary stock option plan 2010 - 2nd tranche	1,586,900	1.58	--	--	--	--	--	--	1,586,900	1.58	2.75	1,586,900	1.58
Total	7,874,850	2.07	--	--	927,500	3.60	--	--	6,947,350	1.87	1.76	6,947,350	1.87

GEDI GRUPPO EDITORIALE - STOCK GRANT PLANS AT 30 JUNE 2018

	Units in circulation at start of period		Units granted during the period		Units cancelled/expired during the period		Units exercised during the period		Units in circulation at end of period		Units exercisable at end of period	
	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of options	Weighted average strike price
2011												
Time-based units	146,723	1.81	--	--	--	--	--	--	146,723	1.81	146,723	1.81
2012												
Time-based units	340,781	0.98	--	--	--	--	--	--	340,781	0.98	340,781	0.98
Performance-based units	138,927	0.98	--	--	--	--	--	--	138,927	0.98	138,927	0.98
2013												
Time-based units	262,819	0.83	--	--	--	--	--	--	262,819	0.83	262,819	0.83
Performance-based units	182,529	0.83	--	--	--	--	--	--	182,529	0.83	176,903	0.83
2014												
Time-based units	337,492	1.70	--	--	--	--	18,434	1.70	319,058	1.70	319,058	1.70
Performance-based units	541,252	1.70	--	--	490,000	1.70	--	--	51,252	1.70	--	--
2015												
Time-based units	469,682	1.24	--	--	--	--	25,940	1.24	443,742	1.24	246,897	1.24
Performance-based units	525,000	1.24	--	--	--	--	--	--	525,000	1.24	--	--
2016												
Time-based units	555,000	0.95	--	--	--	--	8,750	0.95	546,250	0.95	60,630	0.95
Performance-based units	555,000	0.95	--	--	555,000	0.95	--	--	--	--	--	--
2017												
Time-based units	707,500	0.78	--	--	--	--	--	--	707,500	0.78	--	--
Performance-based units	707,500	0.78	--	--	--	--	--	--	707,500	0.78	--	--
2018												
Time-based units	--	--	932,500	0.44	--	--	--	--	932,500	0.44	--	--
Performance-based units	--	--	932,500	0.44	--	--	--	--	932,500	0.44	--	--

21.c. Employee payment plans at 30 June 2018 (Sogefi group)

The following table shows the total number of rights existing with respect to the stock grant plans for the period 2011-2018:

	30 June 2018	31 December 2017
Not exercised/not exercisable at the start of the period	1,036,192	1,286,966
Granted during the period	415,000	287,144
Cancelled during the period	(81,414)	(357,662)
Exercised during the period	(78,084)	(180,256)
Not exercised/not exercisable at the end of the period	1,291,694	1,036,192
Exercisable at the end of the period	59,840	53,490

The following table shows the total number of options outstanding and refers to the stock option plans for the period 2008-2010 with their average strike price:

	30 June 2018	
	No. of options	Average strike price
Not exercised/not exercisable at the start of the period	285,000	1.91
Granted during the period	--	--
Cancelled during the period	(40,000)	1.67
Exercised during the period	(130,000)	1.95
Matured during the period	--	--
Not exercised/not exercisable at the end of the period	115,000	1.96
Exercisable at the end of the period	115,000	1.96

The line "Not exercised/not exercisable at the end of the period" 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 period" refers to the total amount of the options vested at the end of the year but not yet exercised.

21.d. Employee payment plans at 30 June 2018 (KOS group)

The chart below shows the stock option plans of the KOS group:

KOS - STOCK OPTION PLANS AT 30 JUNE 2018

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options expired during the period		Options in circulation at end of period			Options exercisable at end of period		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	3.52	--	--	--	--	--	--	1,661,083	3.52	14.89	1,661,083	3.52	31/12/2014	17/05/2033
Stock Option Plan '16	1,500,000	7.08	--	--	--	--	--	--	1,500,000	7.08	14.89	--	--	17/05/2023	17/05/2033
Total	3,161,083	5.21	--	--	--	--	--	--	3,161,083	5.21	14.89	1,661,083	3.52		

22. Other information

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period

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.;
- figures 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 period, which involved administrative and financial services, the purchase and sale of financial assets and providing guarantees, 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, outwith 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>Costs for the purchase of goods</i>	<i>Costs for services</i>	<i>Other operating expense</i>	<i>Other operating income</i>	<i>Financial income</i>	<i>Financial expense</i>	<i>Dividends</i>
Parents	--	--	--	--	50	--	--	--
Subsidiaries	--	--	--	--	--	--	--	--
Associates	--	--	(1,095)	--	897	--	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	(32)	--	66	--	--	--
Total	--	--	(1,127)	--	1,013	--	--	--

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 and borrowings</i>	<i>Other loans and borrowings</i>	<i>Trade payables</i>	<i>Other liabilities</i>
Parents	--	172	--	--	--	57	--
Subsidiaries	--	--	--	--	--	9	--
Associates	--	1,584	105	--	--	2,207	--
Joint ventures	--	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--	--
Total	--	1,756	105	--	--	2,273	--

23. Key figures from the 2017 separate financial statements of the Parent Cofide S.p.A. (Art. 2497-bis para. 4 of the Civil Code), which exercises management control and coordination.

STATEMENT OF FINANCIAL POSITION (in euro)

ASSETS	31.12.2017
NON-CURRENT ASSETS	595,811,033
CURRENT ASSETS	12,302,994
TOTAL ASSETS	608,114,027

LIABILITIES	31.12.2017
EQUITY	562,181,679
NON-CURRENT LIABILITIES	548,528
CURRENT LIABILITIES	45,383,820
TOTAL LIABILITIES AND EQUITY	608,114,027

INCOME STATEMENT (in euro)

	2017
SUNDRY REVENUE AND INCOME	119,113
<i>of which sundry revenue and income with related parties (*)</i>	85,000
COST FOR THE PURCHASE OF GOODS	(3,698)
COST FOR SERVICES	(976,535)
<i>of which costs for services with related parties (*)</i>	(122,000)
PERSONNEL EXPENSES	--
OTHER OPERATING EXPENSE	(469,129)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	(55,250)
OPERATING LOSS	(1,385,499)
FINANCIAL INCOME	2,705
FINANCIAL EXPENSE	(929,759)
DIVIDENDS	13,823,304
<i>of which with related parties (*)</i>	13,823,304
GAINS FROM SECURITIES TRADING	3,239,091
LOSSES FROM SECURITIES TRADING	(117,016)
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(366,785)
PROFIT BEFORE TAXES	14,266,041
INCOME TAXES	(110,698)
PROFIT FOR THE PERIOD	14,155,343

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

The key figures of the parent COFIDE S.p.A. shown in the summary table above, as required by article 2497-bis of the Civil Code, are taken from its separate financial statements as at and for the year ended 31 December 2017. For a correct and complete understanding of the financial position of COFIDE S.p.A. at 31 December 2017 and of its profit for the year ended on that date, 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.

DECLARATION OF THE HALF YEAR FINANCIAL REPORT AT 30 JUNE 2018
PURSUANT TO ART. 154 BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/98

1. The undersigned, Monica Mondardini, as Chief Executive Officer, and Giuseppe Gianoglio as executive in charge of the preparation of the condensed interim consolidated financial statements of CIR S.p.A., hereby certify, also taking into account the provision of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
 - the appropriateness, in relation to the characteristics of the business, and
 - effective application of the administrative and accounting procedures for the preparation of the Half Year Financial Report at 30 June 2018, during the course of period 1 January 2018 – 30 June 2018.
2. On this subject no aspects emerged that needed to be notified.
3. We also certify that the condensed interim consolidated financial statements at 30 June 2018:
 - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community 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, results and cash flows of the issuer.

The report on operation at 30 June 2018 includes a reliable analysis of the parent'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, 27 July 2018

Signed by:

Monica Mondardini
Chief Executive Officer

Giuseppe Gianoglio
Executive responsible for the preparation
of the parent's financial statements

LIST OF EQUITY INVESTMENTS

AT 30 JUNE 2018

Pursuant to Art. 38.2 Italian Legislative Decree 127/91

CONSOLIDATED SUBSIDIARIES USING THE FULL LINE-BY-LINE MODEL

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Held by</i>	<i>% of ownership</i>
CIR GROUP					
CIR INTERNATIONAL S.A.	Luxembourg	15,000,000.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.à.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	12,426,162.00	€	CIR S.p.A.	100.00
INSTITUT D'ÉCOLE PRIMAIRE LÉMAN S.A. (in liquidation)	Switzerland	3,695,000.00	Chf	CIR S.p.A.	94.59
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. GEDİ NEWS NETWORK S.p.A.	68.39 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. GEDİ NEWS NETWORK S.p.A.	82.07 17.93
					100.00
MO-NET S.r.l.	Italy	35,800.00	€	GEDİ DIGITAL S.r.l.	83.00
SOGEFI GROUP					
SOGEFI S.p.A. (**)	Italy	62,393,755.84	€	CIR S.p.A.	55.33
SOGEFI FILTRATION ITALY S.p.A.	Italy	8,000,000.00	€	SOGEFI S.p.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 S.p.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	AED	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION RUSSIA LLC	Russia	6,800,000.00		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	20,055,000.00	\$USA	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	103,713,074.00	Real	SOGEFI FILTRATION S.A. SOGEFI FILTRATION SPAIN S.A.U. SOGEFI SUSPENSION BRASIL Ltda	86.1084 13.8915 0.0000010
					100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	57,235,407.00	Pesos	SOGEFI FILTRATION S.A. SOGEFI FILTRATION ITALY S.p.A.	99.4242 0.5757
					99.9999

(*) 45.78% net of treasury shares held as treasury stock

(**) 56.56 % net of treasury shares held as treasury stock

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Held by	% of ownership
SHANGHAI SOGEFI AUTO PARTS Co., Ltd	China	13,000,000.00	\$USA	SOGEFI S.p.A.	100.00
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd	China	37,400,000.00	\$USA	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	48,858,410.00	Pesos	SOGEFI SUSPENSIONS S.A.	90.19
				SOGEFI SUSPENSIONS BRASIL Ltda	9.80
					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	Real	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.	Netherlands	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 Pvt Ltd	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 M.N.R. ENGINE SYSTEMS INDIA Pvt Ltd	India	21,254,640.00	Inr	SOGEFI FILTRATION S.A.	45.00
				SOGEFI AIR & COOLING S.A.S.	24.98
				SYSTEMES MOTEURS CHINA S.à.r.l.	0.02
					70.00
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.	Stati Uniti	100.00	\$USA	SOGEFI AIR & COOLING S.A.S.	100.00
SYSTÈMES MOTEURS CHINA S.à.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	20,003,000.00	Mxn	SOGEFI AIR & COOLING CANADA CORP.	99.999995
				SOGEFI AIR & COOLING S.A.S.	0.000005
					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.	0.003
					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. (ex SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.r.l.)	Italy	6,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.p.A. (ex SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.r.l.)	Italy	8,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Held by</i>	<i>% of ownership</i>
KOS GROUP					
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	10,717,240.00	INr	MEDIPASS S.r.l.	79.14
				CLEARVIEW HEALTHCARE LTD	20.86
					100.00
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	£GBP	MEDIPASS HEALTHCARE LTD	100.00
MEDIPASS LEEDS LTD (ex HTI LEEDS)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
MEDIPASS BELFAST LTD (ex HTI IRELAND)	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
POLO GERIATRICO RIABILITATIVO S.p.A.	Italy	320,000.00	€	RESIDENZE ANNI AZZURRI S.r.l.	96.00
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.	87.28
SANATRIX GESTIONI S.r.l.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
LABORATORIO ANALISI CHIMICHE DELTA S.r.l.	Italy	10,329.00	€	SANATRIX GESTIONI S.r.l.	100.00
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	Italy	20,000.00	€	KOS CARE S.r.l.	100.00
CASA DI CURA SANT'ALESSANDRO S.r.l.	Italy	200,000.00	€	KOS CARE S.r.l.	100.00
PRORA S.r.l.	Italy	13,000.00	€	KOS CARE S.r.l.	100.00
IDEAS S.r.l.	Italy	52,000.00	€	PRORA S.r.l.	99.75
				KOS CARE S.r.l.	0.25
					100.00
IPPOFIN S.r.l.	Italy	100,000.00	€	KOS CARE S.r.l.	100.00
VILLA DEI CILIEGI DI MONTEVEGLIO S.r.l.	Italy	50,000.00	€	IPPOFIN S.r.l.	100.00
KOS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	115,000.00	€	KOS S.p.A.	3.68
				KOS CARE S.r.l.	83.05
				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
				ELSIDA S.r.l.	0.23
					100.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Held by</i>	<i>% of ownership</i>
CIR GROUP					
DEVIL PEAK S.r.l.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
GEDI GROUP					
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 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
PERSIDERA S.p.A.	Italy	21,428,572.00	€	GEDI GRUPPO EDITORIALE S.p.A.	30.00
SOGEFI GROUP					
MARK IV ASSET (Shanghai) AUTO PARTS Co., Ltd	China	5,000,000.00	CNY	SOGEFI ENGINE SYSTEMS HONG KONG Ltd	50.00
CIR INTERNATIONAL GROUP					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
KOS GROUP					
APOKOS REHAB PVT Ltd	India	169,500,000.00	INR	KOS S.p.A.	50.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES
CONSOLIDATED AT COST(*)

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Held by</i>	<i>% of ownership</i>
<i>GEDI GROUP</i>					
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
	Italy				
	Italy				
<i>KOS GROUP</i>					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
<i>CIR INTERNATIONAL GROUP</i>					
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(*) Investments which are non significant, non operational or that have been recently acquired, unless stated otherwise

INVESTMENTS IN OTHER COMPANIES

CONSOLIDATED AT COST(*)

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Held by</i>	<i>% of ownership</i>
GEDI GROUP					
AGENZIA A.N.S.A. S. COOP. a.r.l.	Italy	10,783,355.63	€	GEDI GRUPPO EDITORIALE S.p.A.	3.68
				GEDI NEWS NETWORK S.p.A.	20.59
					24.26
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	51,497.00	€	GEDI GRUPPO EDITORIALE S.p.A.	16.67
				GEDI NEWS NETWORK S.p.A.	16.67
					33.33
FCA servizi per l'industria S. consortile p.A.	Italy	1,652,669.00	€	GEDI NEWS NETWORK S.p.A.	1.50
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 operating)	United States	7,663,998.40	\$USA	GEDI DIGITAL S.r.l.	7.83
D-SHARE S.r.l.	Italy	110,950.02	€	GEDI DIGITAL S.r.l.	10.96
TELELIBERTÀ S.p.A.	Italy	2,200,000.00	€	GEDI NEWS NETWORK S.p.A.	4.32
PREMIUM PUBLISHER NETWORK consorzio	Italy	19,426.00	€	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	110,000.00	€	ELEMEDIA S.p.A.	12.50
C.S.E.D.I. consorzio	Italy	103,291.38	€	GEDI DISTRIBUZIONE S.p.A.	11.11
FIDIMPRESA 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
SOGEFI GROUP					
AFICO FILTERS S.A.E.	Egypt	14,000,000.00	EGP	SOGEFI ITALY S.p.A.	17.77
KOS GROUP					
FONDO SPAZIO SANITÀ	Italy	80,756,000.00	€	KOS CARE S.r.l.	1.11

(*) Investments which are non significant, non operational or that have been recently acquired, unless stated otherwise

INVESTMENTS IN OTHER COMPANIES

NON INCLUDING IN THE CONDESED INTERIM CONSOLIDATED STATEMENTS

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Held by</i>	<i>% of ownership</i>
<i>CIR GROUP</i>					
FINAL S.A. (in liquidation)	France	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73



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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
CIR S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the CIR Group, comprising the statement of financial position as at 30 June 2018, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.



CIR Group

*Report on review of condensed interim consolidated financial statements
30 June 2018*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the CIR Group as at and for the six months ended 30 June 2018 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 6 August 2018

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit