



**HALF YEAR FINANCIAL REPORT
AT 30 JUNE 2017**

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This Half Year Financial Report at 30 June 2017 was prepared in accordance with Art. 154 ter of D.Lgs. 58/1998 and in conformity with applicable international accounting standards recognized in the European Union as per EU Regulation no. 1606/2002 of the European Parliament and Council of July 19 2002, and specifically with IAS 34 –Interim Financial Reporting, and also with the measures issued in implementation of Art. 9 of D. Lgs 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.

COFIDE - Gruppo De Benedetti S.p.A.

Share Capital € 359,604,959

Register of Companies ref. no. and Tax Code 01792930016

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ADMINISTRATIVE BODIES

BOARD OF DIRECTORS

Honorary Chairman CARLO DE BENEDETTI

Chairman RODOLFO DE BENEDETTI (*)

Directors SILVIA CANDIANI
 MASSIMO CREMONA (1) (2) (3)
 EDOARDO DE BENEDETTI
 MARCO DE BENEDETTI
 PAOLA DUBINI (1) (2)
 PIERLUIGI FERRERO
 FRANCESCO GUASTI (1) (2)
 MARIA SERENA PORCARI (2)

Secretary to the Board MASSIMO SEGRE

BOARD OF STATUTORY AUDITORS

Chairman RICCARDO ZINGALES

Statutory Auditors TIZIANO BRACCO
 ANTONELLA DELLATORRE

Alternate Auditors LUIGI NANI
 LUIGI MACCHIORLATTI VIGNAT
 PAOLA ZAMBON

INDEPENDENT AUDITORS

KPMG S.p.A.

Notice in accordance with the recommendation of Consob contained 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

Interim report on operations

1. Key figures

The COFIDE Group made consolidated net income in the first six months of 2017 of € 14.6 million, compared with € 17.5 million in the corresponding period of last year.

This result was essentially attributable to CIR, which contributed € 14.9 million (€ 14.1 million in the first half of 2016) and COFIDE, the parent company, which contributed a net loss of € 0.3 million (income of € 3.4 million in the first half of 2016).

In the first six months of 2017 CIR recorded consolidated net income of € 27.1 million compared with € 25.9 million in the same period last year, thanks to better results on the part of Sogefi and KOS.

As regards the Gruppo Editoriale GEDI, the integration of Italiana Editrice S.p.A., Publikompass S.p.A. and Nexta S.r.l. ("ITEDI group") with GEDI was completed on 27 June 2017. As a result of this transaction, GEDI acquired control of the ITEDI group.

GEDI's results at 30 June 2017 do not include those of the ITEDI group, which will be taken into account from 1 July 2017 (the statement of financial position, on the other hand, includes the assets and liabilities of the ITEDI group companies). With the prospect of combining with ITEDI, during 2016 five local newspapers were spun off and sold in order to ensure compliance with the circulation thresholds established by current regulations; the scope of the business in the first half of 2017 was therefore considerably smaller than in the same period of 2016. So, in order to ensure that the figures are comparable, we have prepared a pro-forma income statement for the first half of 2016 based on the same scope.

Even though the publishing industry is still going through a difficult period, GEDI posted a slight increase in revenues in the first half of the year (+1.6%) on a comparable basis, with gross operating profit stable compared with the same period of last year at € 22.7 million; the net result was positive for € 7.4 million (the reduction from € 10.3 million in the first half of 2016 is mainly attributable to amortisation of the fair value of the digital terrestrial frequencies implicit in the value of the investment in Persidera S.p.A., recognized for the first time in the financial statements at 31 December 2016).

Sogefi recorded an 8.4% increase in turnover, with a performance higher than that of the industry in all geographical areas. gross operating profit grew by 25.8% to € 93.9 million. Net income increased from € 8.3 million in the first half of 2016 to € 20.0 million in the first six months of 2017. These results confirm the effectiveness of the actions taken by the company to improve profitability and cash generation.

Lastly, KOS achieved a 5.1% increase in revenues, thanks in particular to the organic growth in all of its activities and to the acquisition of 3 structures made last year. Gross operating profit went from € 37.1 million in the first half of 2016 to € 39.4 million, and net income rose from € 9.6 million to € 11.3 million.

CIR S.p.A. and its non-industrial subsidiaries contributed € 5.7 million of net income compared with € 8.2 million in the first half of 2016, which included a gain of € 6.5 million from the sale of a non-strategic investment.

COFIDE's net financial indebtedness has risen from € 23.3 million at 31 December 2016 to € 29.5 million at 30 June 2017. The change is mainly due to the purchase of treasury shares of € 7.3 million and net investments in private equity funds of € 1.8 million, less dividends received, net of those paid, for € 3.9 million.

Group equity at 30 June 2017 was € 539.1 million versus € 563.4 million at 31 December 2016. The change is essentially due to the dilution following the integration of the ITEDI group into GEDI, the distribution of dividends and the purchase of treasury shares; these effects were partially offset by net income for the period.

Please note that on 16 February 2017 Cofide, the Parent Company, began implementing a plan to purchase its own shares, as authorised by the Shareholders' Meeting of 29 April 2016. At 30 June 2017 the Company held 12,339,622 treasury shares (1.72% of the share capital) for a value of € 7.3 million.

COFIDE's operating subsidiaries are active in the following areas: media (press, radio, internet and advertising), automotive components (suspension components, air filters and cooling), and healthcare (care homes, rehabilitation centres, cancer cure, diagnostic and hospital management).

In order to provide further information on the financial performance of the COFIDE Group in the first half of 2017, the income statement and statement of financial position are provided with a breakdown of the subsidiaries' contribution to the Group's net result and equity.

The **income statement** is as follows:

<i>(in millions of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Contributions of investments in subsidiaries:		
- CIR S.p.A.	14.9	14.1
TOTAL CONTRIBUTIONS	14.9	14.1
Net gains and losses on trading and the valuation of securities	0.9	5.1
Net financial income and expense	(0.4)	(0.6)
Net operating costs	(0.7)	(0.8)
RESULT BEFORE TAXES	14.7	17.8
Income taxes	(0.1)	(0.3)
NET RESULT FOR THE PERIOD	14.6	17.5

The **statement of financial position** at 30 June 2017 shows equity of € 539.1 million, net financial indebtedness of the Parent Company of € 29.5 million and long-term financial assets of € 569.2 million.

<i>(in millions of euro)</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
CIR S.p.A.	555.1	575.0
LONG-TERM EQUITY INVESTMENTS	555.1	575.0
Other long-term financial assets	14.1	12.9
TOTAL FINANCIAL ASSETS	569.2	587.9
Tangible assets	1.3	1.2
Net receivables and payables	(1.9)	(2.4)
NET INVESTED CAPITAL	568.6	586.7
Financed by:		
Equity	539.1	563.4
Net debt	(29.5)	(23.3)

The "Other long-term financial assets" of € 14.1 million consist mainly of Cofide's investment in the Jargonnant real estate fund for € 4.7 million and the investment in the Three Hills Decalia fund, which invests in small/medium-sized European companies, for € 6.6 million. The change of € 1.2 million compared with 31 December 2016 is due to distributions and redemptions of capital of the Jargonnant fund in the first half of 2017 for a total of € 1.6 million, less investments in private equity funds of € 2.8 million.

2. Performance of the Group

Consolidated revenue for the first half of 2017 amounted to € 1,392.4 million compared with € 1,319.1 million in the same period of 2016, an increase of € 73.3 million (+5.6%). Sogefi posted a 8.4% increase in turnover, KOS one of 5.1%, while the revenue of GEDI fell by 1.9% as a consequence of the deconsolidation of five titles sold in the last quarter of 2016 (on a comparable basis, turnover would have increased by 1.6%).

Revenue generated outside Italy accounted for 58.6% of the total, thanks to the international development of Sogefi.

Consolidated revenue by business sector is as follows:

	1st half 2017	%	1st half 2016	%	Absolute change	%
Media						
GEDI group	287.3	20.6	292.9	22.2	(5.6)	(1.9)
Automotive components						
Sogefi group	866.0	62.2	798.6	60.5	67.4	8.4
Healthcare						
KOS group	239.1	17.2	227.6	17.3	11.5	5.1
Other sectors	--	--	--	--	--	--
Total consolidated revenue	1,392.4	100.0	1,319.1	100.0	73.3	5.6
of which: ITALY	576.2	41.4	568.8	43.1	7.4	1.3
OTHER COUNTRIES	816.2	58.6	750.3	56.9	65.9	8.8

The **consolidated income statement** of the COFIDE Group is as follows:

(in millions of euro)	1st half 2017	%	1st half 2016	%
Revenue	1,392.4	100.0	1,319.1	100.0
Consolidated gross operating profit (1)	147.5	10.6	124.2	9.4
Consolidated operating profit	82.3	5.9	65.4	4.9
Financial management (2)	(11.6)	(0.8)	(4.0)	(0.3)
Income taxes	(24.7)	(1.8)	(17.2)	(1.3)
Income/(loss) from assets held for sale	1.0	0.1	1.0	0.1
Net income including minority interests	47.0	3.4	45.2	3.4
Minority interests	(32.4)	(2.3)	(27.7)	(2.1)
Net result of the Group	14.6	1.1	17.5	1.3

1) This is the sum of "earnings before interest and taxes" and "amortisation, depreciation and write-downs" in the consolidated income statement.

2) This is the sum of "financial income", "financial expense", "dividends", "gains from trading securities", "losses from trading securities", "adjustment to investment carried at equity" and "adjustments to the value of financial assets" in the consolidated income statement.

In the first half of 2017, **consolidated gross operating profit** came to € 147.5 million (10.6% of revenue), compared with € 124.2 million (9.4% of revenue) in the first half of 2016, an increase of € 23.3 million (+18.8), thanks above all to the increase in Sogefi margin.

Consolidated operating profit for the first half of 2017 was € 82.3 million (5.9% of revenue) versus € 65.4 million (4.9% of revenue) in the same period of 2016 (+25.8%); the increase reflects the positive trend in gross operating profit.

Financial management generated a net expense of € 11.6 million compared with an expense charge of € 4.0 million in the first half of 2016. In detail:

- net financial expense came to € 21.4 million compared with € 25.1 million in the first half of 2016;
- net gains on trading of securities and adjustment to the value of financial assets and to equity investments led to a positive result of € 9.8 million compared with € 21.1 million in the first half of 2016, which included the € 6.5 million gain from the sale of a non-strategic investment.

Consolidated net profit was € 14.6 million compared with € 17.5 million in the same period last year.

The **condensed consolidated statement of financial position** of the Cofide Group at 30 June 2017, with comparative figures at 31 December 2016, is as follows:

<i>(in millions of euro)</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
Non-current assets	1,942.6	1,814.6
Other net non-current assets and liabilities	(169.6)	(120.5)
Net working capital	(1.3)	(20.3)
Net invested capital	1,771.7	1,673.8
Net financial indebtedness	(192.5)	(166.9)
Total equity	1,579.2	1,506.9
Group equity	539.1	563.4
Minority interests	1,040.1	943.5

Net invested capital at 30 June 2017 stood at € 1,771.7 million versus € 1,673.8 million at 31 December 2016, an increase of € 97.9 million.

The **consolidated net financial position** at 30 June 2017, as mentioned previously, showed net debt of € 192.5 million (compared with € 166.9 million at 31 December 2016) caused by:

- debt of € 29.5 million for COFIDE, the parent company, compared with € 23.3 million at 31 December 2016;
- a financial surplus pertaining to CIR and its non-industrial subsidiaries of € 320.4 million, down compared with the 31 December 2016 figure of € 334.3 million. The difference of € 13.9 million was caused mainly by the decrease due to net outlay of € 25.1 million for the distribution of dividends and by the purchase of treasury shares made during the period of € 9.4 million and the increase for cash flow from operations of € 20.6 million;
- by total indebtedness of the industrial subsidiaries of € 483.4 million compared with € 477.9 million at 31 December 2016. The slight increase of € 5.6 million is mainly attributable to the rise of the KOS group's debt (€ 18.0 million) and of the GEDI group by € 5.3 million against the improvement of the Sogefi group's financial position for € 18.6 million.

Total equity at 30 June 2017 came to € 1,579.2 million compared with € 1,506.9 million at 31 December 2016, a net increase of € 72.3 million.

Group equity at 30 June 2017 amounted to € 539.1 million compared with € 563.4 million at 31 December 2016, a net reduction of € 24.3 million. The change is essentially due to the dilution following the integration of the ITEDI group into GEDI, the distribution of dividends and the purchase of treasury shares; these effects were partially offset by net profit for the period.

Minority interests at 30 June 2017 amounted to € 1,040.1 million compared with € 943.5 million at 31 December 2016, a net increase of € 96.6 million substantially due to the integration of the ITEDI group with GEDI.

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

The **consolidated statement of cash flows** for the first half of 2017, prepared according to a "management" format which, unlike the version included in the financial statements, shows the changes in net financial position rather than in cash and cash equivalents, can be summarised as follows:

<i>(in millions of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
SOURCES OF FUNDS		
Result for the period including minority interests from continuing operations	46.0	44.3
Amortisation, depreciation, write-downs & other non-monetary changes	60.7	42.1
Self-financing	106.7	86.4
Change in working capital	(26.6)	(2.4)
CASH FLOW GENERATED BY OPERATIONS FROM CONTINUING OPERATIONS	80.1	84.0
Capital increases	1.0	10.7
TOTAL SOURCES OF FUNDS FROM CONTINUING OPERATIONS	81.1	94.7
APPLICATIONS OF FUNDS		
Net investment in fixed assets	(47.5)	(26.2)
Consideration paid for business combinations	(3.8)	(0.1)
Net financial position of acquired companies	(7.7)	--
Purchase of minority interests	--	(84.5)
Buy-back of own shares	(16.7)	(17.2)
Payment of dividends	(29.8)	(41.7)
Other changes	(2.2)	(11.4)
TOTAL APPLICATIONS OF FUNDS FROM CONTINUING OPERATIONS	(107.7)	(181.1)
FINANCIAL SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS	(26.6)	(86.4)
CASH FLOWS FROM DISCONTINUED OPERATIONS	1.0	1.0
FINANCIAL SURPLUS (DEFICIT)	(25.6)	(85.4)
OPENING NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	(166.9)	(159.4)
CLOSING NET FINANCIAL POSITION AT THE END OF THE PERIOD	(192.5)	(244.8)

In the first half of 2017 the Group recorded a financial deficit of € 26.6 million (-€ 86.4 million in the corresponding period in 2016) resulting from sources of funds of € 81.1 million, and application of funds totalling € 107.7 million.

Compared with 2016, the current management flow is basically in line: improved self-financing compensates for the greater absorption of working capital of the period.

With regard to loans, the difference between the two periods is mainly due to the investment of € 84.5 million made in KOS in the first half of 2016.

In the first half of 2017, applications of funds include the payment of dividends totalling € 29.8 million, buy-back of own shares for € 16.7 million and net investments in fixed assets for € 47.5 million, related mainly to the Sogefi and KOS groups.

For a breakdown of the items making up the net financial position, reference should be made to the section containing the financial statements.

At 30 June 2017 the COFIDE Group had 14,613 employees, compared with 14,329 at 31 December 2016.

3. Performance of the Parent Company

The Parent Company COFIDE S.p.A. closed the first half of 2017 with a profit of € 13.5 million, down from € 19.4 million in the first half of 2016 because of lower financial income.

The **condensed income statement** of COFIDE for the first half of 2017, compared with the first six months of 2016, is as follows:

<i>(in millions of euro)</i>		<i>1st half 2017</i>	<i>1st half 2016</i>
Net operating costs	(1)	(0.4)	(0.5)
Other operating costs, amortisation and depreciation	(2)	(0.3)	(0.3)
Financial management	(3)	14.3	20.5
Result before taxes		13.6	19.7
Income taxes		(0.1)	(0.3)
Net result		13.5	19.4

1) This item is the sum of "sundry revenues and income", "costs for the purchase of goods", "costs for services" and "personnel costs" in the income statement of COFIDE S.p.A.

2) This item is the sum of "other operating costs" and "amortisation, depreciation and write-downs" in the income statement of COFIDE S.p.A.

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

In the first half of 2017, the result of financial management, € 14.3 million, derives from dividends paid by CIR of € 13.8 million, gains from trading securities of € 0.4 million, positive adjustments to the value of financial assets of € 0.5 million and interest expense of € 0.4 million.

The **condensed statement of financial position** of COFIDE at 30 June 2017, with comparative figures at 31 December 2016, is as follows:

<i>(in millions of euro)</i>		<i>30.06.2017</i>	<i>31.12.2016</i>
Non-current assets	(1)	575.0	575.0
Other net non-current assets and liabilities	(2)	14.1	12.9
Net working capital	(3)	(1.8)	(2.4)
Net invested capital		587.3	585.5
Net financial position	(4)	(29.5)	(23.3)
Equity		557.8	562.2

1) This item is the sum of "intangible assets", "Property, plant and equipment", "investment property" and "equity investments in subsidiaries" in the statement of financial position of COFIDE S.p.A., the Parent Company.

2) This item is the sum of "other receivables" and "securities" in non-current assets and "other payables" and "deferred taxes" in non-current liabilities in the statement of financial position of COFIDE S.p.A.

3) This item is the sum of "other receivables" in current assets and "trade payables" and "other payables" in current liabilities in the statement of financial position of COFIDE S.p.A., the Parent Company.

4) This item is the sum of "securities" and "cash and cash equivalents" in current assets, "other loans and borrowings" in non-current liabilities and "overdrafts" and "other loans and borrowings" in current liabilities in the statement of financial position of COFIDE S.p.A., the Parent Company.

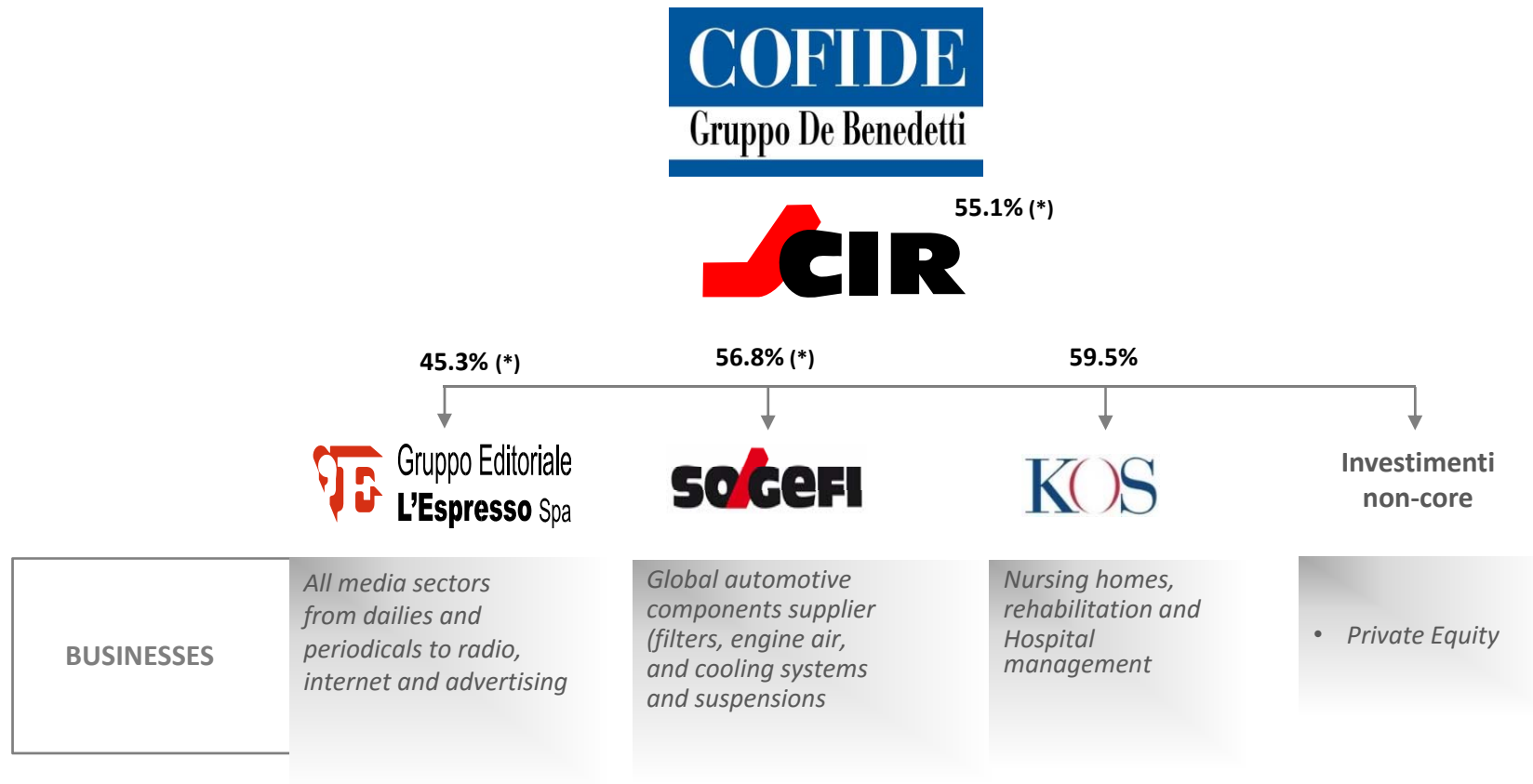
Equity at 30 June 2017 stood at € 557.8 million, compared with € 562.2 million at 31 December 2016. The change is due to the result for the period less the dividend distribution of € 10.1 million.

4. Reconciliation of the Parent Company's separate financial statements with the consolidated financial statements

The following is a reconciliation between the net result and equity of the Group with the parent company's figures.

<i>(in thousands of euro)</i>	<i>Equity</i> <i>30.06.2017</i>	<i>Result</i> <i>1st half</i> <i>2017</i>	<i>Equity</i> <i>30.06.2016</i>	<i>Result</i> <i>1st half</i> <i>2016</i>
Financial statements of Cofide S.p.A. (Parent Company)	557,775	13,508	560,973	19,457
- Dividends from consolidated companies	(13,823)	(13,823)	(16,006)	(16,006)
- Net contribution of consolidated companies	85,096	14,944	81,806	14,092
- Difference between the carrying values of investee companies and the portions of their equity included in the consolidation, net of their contributions	(89,998)	--	(83,424)	--
- Other consolidation adjustments	--	--	--	--
Consolidated financial statements (Group share)	539,050	14,629	543,349	17,543

Main Group investments
at 30 June 2017



(*) the percentage is calculated net of treasury shares

5. Performance of the subsidiaries

CIR GROUP - As already mentioned, in the first half of 2017 the CIR Group achieved consolidated net income of € 27.1 million, compared with € 25.9 million in the same period last year.

The following is a summary of the contributions made by CIR's main subsidiaries to the consolidated result and equity:

<i>(in millions of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
CONTRIBUTIONS TO NET RESULT		
GEDi group	3.3	6.9
Sogefi group	11.4	4.8
KOS group	6.7	6.0
Total for main subsidiaries	21.4	17.7
Other subsidiaries	(0.1)	(0.2)
CIR and other holding companies	5.8	8.4
Net result of the CIR Group	27.1	25.9

As mentioned previously, the contribution made by the industrial subsidiaries was of € 21.4 million, compared with € 17.7 million in the same period of 2016, and the aggregate contribution of CIR and the other non-industrial subsidiaries was income of € 5.8 million (€ 8.2 million in the first half period of 2016).

<i>(in millions of euro)</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
CONTRIBUTIONS TO EQUITY		
GEDi group	311.9	337.9
Sogefi group	106.4	98.7
KOS group	160.5	161.0
Other subsidiaries	0.8	0.8
Total subsidiaries	579.6	598.4
CIR and other non-industrial subsidiaries	427.2	453.9
- invested capital	106.8	119.6
- net financial position	320.4	334.3
Equity of the CIR Group	1,006.8	1,052.3

Consolidated equity has gone from € 1,052.3 million at 31 December 2016 to € 1,006.8 million at 30 June 2017. The decrease of € 45.5 million is essentially due to the dilution resulting from the integration of the ITEDI group into GEDI, to the distribution of dividends and the purchase of treasury shares; these effects were partially offset by net profit for the period.

There now follows a more in-depth analysis of the business sectors of the CIR Group.

► MEDIA

On 27 June 2017, the integration of Italiana Editrice S.p.A., Publikompass S.p.A. and Nexta S.r.l. ("ITEDI group") into GEDI was completed. This transaction was carried out through an increase in share capital reserved for Fiat Chrysler Automobiles N.V. ("FCA") and Ital Press Holding S.p.A. ("IPH"), which was 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.

As already mentioned, the results of GEDI at 30 June 2017 do not include those of the ITEDI group which will be taken into account from 1 July 2017 (the statement of financial position, on the other hand, includes the assets and liabilities of the ITEDI group companies).

As part of the deconsolidation plan to guarantee compliance with the circulation thresholds established by current regulations and with a view to future integration with "La Stampa" and Il "Secolo XIX", during 2016 the GEDI group concluded the following transactions:

- the sale on 28 October 2016 of a 71% stake in Seta S.p.A., publisher of the magazines "Alto Adige" and "Il Trentino";
- the sale on 1 November 2016 of the business unit including the following titles: "Il Centro", and its press centre, and "La Città di Salerno";
- lease from 1 December 2016 of the business unit including the newspaper "La Nuova Sardegna" in favour of DB Information S.p.A..

In order to ensure comparability, the GEDI group has prepared a pro-forma income statement for the first half of 2016 based on the same scope, i.e. eliminating the disposals mentioned above.

As regards the context in which the GEDI group has had to operate during the first half of 2017, advertising expenditure in the first five months of 2017 is down by 1.9% compared with the same period of 2016, after a slight recovery in 2016 (Nielsen Media Research). Breaking this down by type of medium, radio generated a significant increase on the same period of 2016 (+4.1%), television and internet (excluding search engines and social media) were more or less in line (-0.2% and +0.6% respectively), whereas print media fell by 8.6%, with daily newspapers -10.3% (-13.2% for national revenues and -8.0% for local revenues) and magazines -6.1%. As for newspaper circulation, according to the figures published by ADS (Accertamento Diffusione Stampa), in the period from January to May 2017 sales on newsstands and by subscription fell by 8.9%.

The GEDI group closed the first half of 2017 with a **consolidated turnover** of € 287.3 million, up 1.6% on the first half of 2016 on a comparable basis (otherwise -1.9%).

GEDI group revenues are as follows:

<i>(in millions of euro)</i>	<i>1st half 2017</i>		<i>1st half 2016 based on a comparable scope of consolidation</i>		<i>Change</i>	<i>1st half 2016</i>	
	<i>Amounts</i>	<i>%</i>	<i>Amounts</i>	<i>%</i>	<i>%</i>	<i>Amounts</i>	<i>%</i>
Circulation and add-ons	102.7	35.7	112.1	39.7	(8.4)	122.2	41.7
Advertising	184.6	64.3	170.6	60.3	8.2	170.7	58.3
TOTAL	287.3	100.0	282.7	100.0	1.6	292.9	100.0

The group's circulation revenues amounted to € 84.3 million, a decrease of 5.7% on the same period last year on a comparable basis, in a market that is continuing to see a significant reduction in the circulation of daily newspapers.

Advertising revenues grew by 8.2%, a 4.3% decrease on the group's media and a significant increase in third-party concessions, thanks to the new national advertising concessions for "Radio Italia", "La Stampa" and "Il Secolo XIX".

As regards the group's media, radio revenue grew by 5.0%, confirming the positive trend observed in the previous year. Internet revenue rose slightly by 0.8%, in line with the market. Lastly, the press has reported a significant decrease (-8.7%), reflecting the negative trend in the newspaper and magazine market, which was reflected above all in national newspapers, while local ones have shown a lower decline.

Costs fell by 5.6% on the same scope of consolidation; the decrease involved both the fixed personnel costs (-4.4%) and other costs (-6.5%).

Gross operating profit amounted to € 22.7 million compared with € 22.8 million in the first half of 2016 on a comparable basis, despite unfavourable sector conditions.

Operating profit came to € 15.9 million, in line with the same period of last year (€ 15.7 million) on a comparable basis.

Consolidated net income amounted to € 7.4 million, on € 10.3 million in the first half of 2016 on a comparable basis. The reduction is mainly attributable to amortisation of the fair value of the digital terrestrial frequencies implicit in the value of the investment in Persidera S.p.A., recognized for the first time in the financial statements at 31 December 2016.

The **net financial position** at 30 June 2017 was positive for € 26.4 million, on € 31.7 million at 31 December 2016 and € 18.2 million at 30 June 2016. The decrease compared with the end of 2016 is due to the consolidation of ITEDI's financial position, which included net debt of € 7.8 million.

The group had 1,956 employees at 30 June 2017, including those on fixed-term contracts, and the average workforce for the period, on a comparable basis, was 1.9% lower than in the first half of 2016.

With regard to prospects for 2017, based on the trends recorded in the first half of the year, there is no sign of improvement in the trend that has been affecting the sector for years now; to counteract them, the group continues to make every effort to develop digital activities, where it is a leader in its field, and to hold down costs. In the absence of unpredictable events, we think that the group will record a positive result at the end of the year and integration with ITEDI will open up new opportunities.

► AUTOMOTIVE COMPONENTS

The automotive market reported a 2.8% increase in worldwide production in the first quarter of 2017. After sustained growth in the first quarter of the year, the second quarter was in line with the corresponding period of 2016.

Production in Europe declined by 1.2%, with a very different trend between the first quarter (+3.6%) and the second quarter (-5.8%), significantly influenced by a calendar effect that entailed more working days in the first quarter and less in the second quarter with respect to 2016. In North America it is performing worst than the market (-0.7% on the half-year), with a negative second quarter (-3%) due to the trend in the USA.

In South America production grew by 18.2%, in Asia by 3.8%.

The Sogefi group ended the first half of 2017 with consolidated **revenues** of € 866 million, up by 8.4% from € 798.6 million in the corresponding period of 2016. After the 12.6% increase in the first quarter, the company experienced a slowdown in growth in the second quarter, but still significant (+4.5%) and higher than the market in all geographic areas.

Sogefi group revenue is as follows:

(in millions of euro)	1st half 2017		1st half 2016		Change %
	Amounts	%	Amounts	%	
Suspension	307.2	35.5	289.5	36.3	6.1
Filtration	296.2	34.2	270.7	33.9	9.4
Air and Cooling	264.7	30.6	240.4	30.1	10.1
Other	(2.1)	(0.3)	(2.0)	(0.3)	5.0
TOTAL	866.0	100.0	798.6	100.0	8.4

All Business Units have reported revenue growth in the period: +10.1% (+9.3% at constant exchange rates) for *Air and Cooling*, +9.4% (+8.6% at constant exchange rates) for *Filtration* and lastly +6.1% (+5.6% at constant exchange rates) for *Suspension*.

Similarly, all geographical areas contributed to the significant increase in Sogefi's sales during the half-year. In Europe, sales grew by 2.6%, despite a contraction in the second quarter (-2.7%) due in particular to the decline in motor vehicle production for the negative "calendar effect".

North American growth continued (+11.6% in the first half of the year despite the market slowdown in the second quarter) and, above all, in Asia (+32.1% in the half-year, with a further acceleration in the second quarter): the two regions today account for 27.5% of the group's sales.

In South America revenues rose 26.1% (+16.3% at constant exchange rates), reflecting the market recovery.

Gross operating profit amounted to € 93.9 million, up 25.8% from € 74.7 million in the corresponding period of 2016. The increase was due to revenue growth in turnover and to the improvement in profitability, which rose from 9.3% to 10.8%.

The increase in profitability was the result of the slight rise in gross margin and a decline in the proportion of indirect costs. The incidence of the overall payroll costs on revenues decreased from 21.7% in the first half of 2016 to 20.8% in the corresponding period of 2017.

Operating profit amounted to € 49.8 million, an increase of 36.1% over the first six months of 2016 (€ 36.6 million) and represents 5.8% of sales. The result of the first half of the year includes € 6.0 million of write-downs in Brazilian assets.

Income before taxes and minority interests was € 37.0 million (€ 19.4 million in the first half of 2016), after financial charges of € 12.8 million, down with respect to € 16.8 million in the corresponding period of last year, thanks to lower interest expense and positive adjustments to fair value of € 1.2 million.

Net income amounted to € 20.0 million (€ 8.3 million in the first half of 2016).

As regards the risk of claims of Sogefi Air&Cooling S.A.S. (formerly Systèmes Moteurs S.A.S.), there were no changes in the first half of 2017.

Net financial position at 30 June 2017 amounted to € 280.4 million, with a rise of € 18.6 million compared with 31 December 2016 (€ 299 million) and of € 45.7 million compared with 30 June 2016 (€ 326.2 million). Free cash flow for the first half of 2017 was positive for € 19.0 million compared with break-even in the same period of 2016 (€ -0.2 million). This evolution is attributable to a better operating performance of the group.

At 30 June 2017, equity, excluding minority interests, came to € 187.4 million (€ 172.9 million at 31 December 2016).

The Sogefi group had 6,799 employees at 30 June 2017 compared with 6,801 at 31 December 2016.

With regard to the world automotive market, the forecasts for 2017 show a positive trend, albeit to a lesser extent compared with the first half of the year. As for the European market, we expect to grow in the second half of the year, whereas we forecast a further decline in North America.

In this context, Sogefi expects to achieve mid-single digit percentage growth in revenues in the second half of the year. The company also expects to improve its profitability on an annual basis compared with 2016 despite an increase in raw material cost.

► **HEALTHCARE**

The KOS group currently manages 78 facilities, mainly in central and northern Italy, for a total of around 7,500 beds, operating in three strategic areas:

- 1) *Care homes*: management of residential care homes for the elderly and psychiatric care communities, with 45 nursing facilities and 9 psychiatric rehabilitation facilities, for a total of 5,213 beds in use (of which 5,017 in care homes);
- 2) *Rehabilitation*: management of hospitals and rehabilitation centres, including 23 rehabilitation facilities (with four care homes for the elderly) and 15 hospitals, for a total of 2,129 beds;
- 3) *Hospital management*: management of a hospital and cancer cure and diagnostics in 34 public and private facilities.

In the first six months of 2017, the KOS group achieved a consolidated **turnover** of € 239.1 million, up 5.1% from € 227.6 million in the same period last year. This was mainly due to an organic growth in all activity areas and to the purchase of three structures occurred in the second half of 2016.

group revenue is as follows:

(in millions of euro)	1st half 2017		1st half 2016		Change
	Amounts	%	Amounts	%	%
Care homes	102.0	42.7	100.2	44.0	1.8
Rehabilitation	95.0	39.7	87.9	38.6	8.1
Acute/Hi-tech	42.1	17.6	39.5	17.4	6.6
TOTAL	239.1	100.0	227.6	100.0	5.1

Consolidated **gross operating profit** amounted to € 39.4 million, up 6.2% compared with € 37.1 million in the first six months of 2016.

Consolidated **operating profit** came to € 23.5 million, compared with € 22.4 million in the same period last year.

Consolidated **net income** amounts to € 11.3 million compared with € 9.6 million in the first six months of 2016.

At 30 June 2017 the KOS group had **net financial indebtedness** of € 231.6 million, compared with € 213.6 million at 31 December 2016, after dividends paid in the period for € 13 million and with € 226.3 million at 30 June 2016.

Following the merge of Residenze Anni Azzurri by Istituto di Riabilitazione Santo Stefano, KOS Care S.r.l. was set up on 1 July; it operates in eight Italian regions through the Santo Stefano (rehabilitation), Anni Azzurri (care homes) and Neomesia (psychiatry) brands.

Lastly, on 26 July the KOS group, through its subsidiary Medipass (oncology, diagnostics and hospital management), acquired the Tuscan company Ecomedica, which specializes in diagnostics and radiotherapy with annual revenues of around € 9 million.

The group had 5,831 employees at 30 June 2017 compared with 5,560 at 31 December 2016.

As regards the outlook for 2017, KOS will continue its development, especially in Italy.

► NON-CORE INVESTMENTS

They are represented by private equity fund investments, minority interests and other investments amounting to € 104.5 million at 30 June 2017, compared with € 114.7 million at 31 December 2016.

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 2017, based on the NAVs provided by the corresponding funds, came to € 49.9 million, a decrease of € 8.2 million compared with 31 December 2016, due to the effect of capital repayments, writedowns and exchange differences.

Total distributions in the period, amounting to € 8.7 million, generated a capital gain of € 6.0 million. Outstanding commitments at 30 June 2017 amounted to € 3.7 million.

OTHER INVESTMENTS

At 30 June 2017, CIR had direct and indirect investments in non-strategic investments for a total of € 18.8 million and a portfolio of non-performing loans for a total of € 35.8 million.

6. Significant events subsequent to 30 June 2017

No significant events have occurred subsequent to 30 June 2017.

7. Outlook

As regards the performance of the COFIDE Group for the whole of 2017, it is expected to confirm its positive result, unless any extraordinary events occur that are not currently foreseeable.

8. Principal risks and uncertainties of the Group

The main risk factors to which the COFIDE Group is exposed are substantially the same as those that featured in 2016.

For a detailed description of these risks, please refer to the information contained in the Section 8 of the Report of the Board of Directors which forms part of the financial statements at 31 December 2016.

For the risks related to specific situations, please refer to the information in section 5 "performance of the subsidiaries" of this Report and in the notes to the consolidated financial statements at 30 June 2017.

9. Other information

TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

On 28 October 2010 the Company 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 can be found on the website: www.cofide.it in the "Corporate Governance" section.

The procedure lays down principles of conduct that the Company 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 Company'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 and Risk Committee, except for the system of substitutes envisaged in the procedures.

Pursuant to the law, we would point out that no transactions were carried out during the first half of 2017 with the ultimate parent company Fratelli De Benedetti S.p.A., which performs management and coordination activities.

The COFIDE 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 financial position and financial performance.

OTHER

COFIDE – Gruppo De Benedetti S.p.A. – has registered office in Via Ciovassino 1, 20121 Milan (MI), Italy.

COFIDE shares, which have been quoted on the Milan Stock Exchange since 1985, have been traded in the Ordinary Segment of the MTA since 2004 (Reuter code: COFI.MI, Bloomberg code: COF IM, segment: MTA).

This report for the period 1 January - 30 June 2017 was approved by the Board of Directors on 28 July 2017.

The company is subject to management and coordination by Fratelli De Benedetti S.p.A..

COFIDE GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AT 30 JUNE 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONSOLIDATED INCOME STATEMENT
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
CONSOLIDATED STATEMENT OF CASH FLOWS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated statement of financial position

(in thousands of euro)

ASSETS	Notes	30.06.2017	31.12.2016
NON-CURRENT ASSETS		2,187,981	2,070,459
INTANGIBLE ASSETS	(7.a.)	1,108,989	988,003
PROPERTY, PLANT AND EQUIPMENT	(7.b.)	682,224	671,159
INVESTMENT PROPERTY	(7.c.)	19,767	20,144
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	(7.d.)	125,041	129,987
OTHER EQUITY INVESTMENTS	(7.e.)	6,547	5,323
OTHER RECEIVABLES	(7.f.)	78,465	79,099
of which with related parties (*)	(7.f.)	1,644	1,644
SECURITIES	(7.g.)	78,569	85,009
DEFERRED TAXES	(7.h.)	88,379	91,735
CURRENT ASSETS		1,376,325	1,349,077
INVENTORIES	(8.a.)	145,052	137,406
CONTRACT WORK IN PROGRESS		43,034	40,947
TRADE RECEIVABLES	(8.b.)	462,697	414,246
of which with related parties (*)	(8.b.)	1,168	1,542
OTHER RECEIVABLES	(8.c.)	108,587	92,863
of which with related parties (*)	(8.c.)	105	105
FINANCIAL RECEIVABLES	(8.d.)	19,211	30,183
SECURITIES	(8.e.)	64,834	66,157
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f.)	232,571	234,012
CASH AND CASH EQUIVALENTS	(8.g.)	300,339	333,263
ASSETS HELD FOR SALE	(8.h.)	3,418	3,418
TOTAL ASSETS		3,567,724	3,422,954
LIABILITIES AND EQUITY		30.06.2017	31.12.2016
EQUITY		1,579,196	1,506,896
ISSUED CAPITAL		359,605	359,605
less TREASURY SHARES		(6,170)	--
SHARE CAPITAL	(9.a.)	353,435	359,605
RESERVES	(9.b.)	73,227	95,041
RETAINED EARNINGS (LOSSES)	(9.c.)	97,759	87,519
NET INCOME (LOSS) FOR THE PERIOD		14,629	21,249
GROUP EQUITY		539,050	563,414
MINORITY INTERESTS		1,040,146	943,482
NON-CURRENT LIABILITIES		1,029,660	975,300
BONDS	(10.a.)	266,201	283,742
OTHER LOANS AND BORROWINGS	(10.b.)	345,013	311,815
OTHER PAYABLES		15,391	15,175
DEFERRED TAXES	(7.h.)	180,744	149,833
PERSONNEL PROVISIONS	(10.c.)	140,186	131,058
PROVISIONS FOR RISKS AND CHARGES	(10.d.)	82,125	83,677
CURRENT LIABILITIES		958,868	940,758
BANK OVERDRAFTS		18,273	12,771
BONDS	(11.a.)	19,979	20,980
OTHER LOANS AND BORROWINGS	(11.b.)	159,980	201,179
TRADE PAYABLES	(11.c.)	455,579	433,354
of which to related parties (*)	(11.c.)	1,208	2,189
OTHER PAYABLES	(11.d.)	215,694	199,697
PROVISIONS FOR RISKS AND CHARGES	(10.d.)	89,363	72,777
LIABILITIES HELD FOR SALE	(8.h.)	--	--
TOTAL LIABILITIES AND EQUITY		3,567,724	3,422,954

2. Consolidated income statement

(in thousands of euro)

	Notes	1st half 2017	1st half 2016
SALES REVENUE	(12)	1,392,360	1,319,146
of which from related parties (*)	(12)	--	--
CHANGE IN INVENTORIES		2,487	1,325
COSTS FOR THE PURCHASE OF GOODS	(13.a.)	(536,702)	(498,046)
of which to related parties (*)	(13.a.)	--	--
COSTS FOR SERVICES	(13.b.)	(326,481)	(307,988)
of which from related parties (*)	(13.b.)	(1,168)	(2,703)
PERSONNEL COSTS	(13.c.)	(362,817)	(363,987)
OTHER OPERATING INCOME	(13.d.)	13,157	11,980
of which from related parties (*)	(13.d.)	945	834
OTHER OPERATING EXPENSE	(13.e.)	(34,461)	(38,190)
of which to related parties (*)	(13.e.)	--	--
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(65,186)	(58,776)
EARNINGS BEFORE INTEREST AND TAXES		82,357	65,464
FINANCIAL INCOME	(14.a.)	5,253	5,935
of which with related parties (*)	(14.a.)	1	19
FINANCIAL EXPENSE	(14.b.)	(26,657)	(31,018)
of which with related parties (*)	(14.b.)	--	--
DIVIDENDS		40	7,953
of which with related parties (*)		--	--
GAINS FROM TRADING SECURITIES	(14.c.)	9,104	10,053
LOSSES FROM TRADING SECURITIES	(14.d.)	(33)	(538)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS			
CONSOLIDATED AT EQUITY	(7.d.)	(664)	2,186
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e.)	1,316	1,433
INCOME (LOSS) BEFORE TAXES		70,716	61,468
INCOME TAXES	(15)	(24,723)	(17,202)
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY		45,993	44,266
INCOME/(LOSS) FROM ASSETS HELD FOR SALE		1,000	1,000
NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS		46,993	45,266
- MINORITY INTERESTS		(32,364)	(27,723)
- NET INCOME (LOSS) OF THE GROUP		14,629	17,543
 BASIC EARNINGS (LOSS) PER SHARE (in euro)	(16)	0.0205	0.0244
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(16)	0.0205	0.0244

3. Consolidated statement of comprehensive income

(in thousands of euro)

	1st half 2017	1st half 2016
Income/(Loss) for the period of continuing operations	45,993	44,266
Items of other comprehensive income that cannot be reclassified to profit and loss		
Actuarial gains (losses)	2,844	(13,211)
Taxes on other comprehensive income that cannot be reclassified to profit and loss	(483)	2,510
Other comprehensive income that can be reclassified to profit and loss		
Exchange rate losses on translation of foreign operations	(13,937)	(3,958)
Net change in fair value of available-for-sale financial assets	(3,903)	(9,201)
Net change in cash flow hedge reserve	2,599	2,392
Other items of comprehensive income	(560)	158
Taxes on items of other comprehensive income that can be reclassified to profit and loss	(617)	(313)
Other comprehensive income of the period of continuing operations	(14,057)	(21,623)
Other comprehensive income - discontinued operations	1,000	1,000
TOTAL STATEMENT OF COMPREHENSIVE INCOME OF THE PERIOD	32,936	23,643
Total comprehensive income attributable to:		
Shareholders of the parent company	8,436	6,330
Minority interests	24,500	17,313
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0118	0.0088
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0118	0.0088

4. Consolidated statement of cash flows

(in thousands of euro)

	1st half 2017	1st half 2016
OPERATING ACTIVITY		
NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS - CONTINUING OPERATIONS	45,993	44,266
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	65,186	58,776
SHARE OF RESULTS OF COMPANIES CONSOLIDATED AT EQUITY	4,946	(2,186)
ACTUARIAL VALUATION OF STOCK OPTION/STOCK GRANT PLANS	1,792	2,405
CHANGES IN PERSONNEL PROVISIONS, PROV. FOR RISKS & LOSSES	(5,302)	(13,201)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(1,316)	(1,433)
LOSSES/(GAINS) ON SALE OF LONG-TERM SECURITIES	(6,028)	(4,720)
INCREASE (DECREASE) IN NON-CURRENT RECEIVABLES/PAYABLES	10,786	10,804
(INCREASE) DECREASE IN NET WORKING CAPITAL	(37,357)	(13,199)
CASH FLOW FROM OPERATING ACTIVITY - CONTINUING OPERATIONS	78,700	81,512
of which:		
- interest received (paid)	(16,897)	(19,922)
- income tax payments	(12,601)	(3,740)
INVESTMENT ACTIVITY		
PRICE PAID FOR BUSINESS COMBINATIONS	(3,761)	(100)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	9,053	--
PURCHASE OF MINORITY INTERESTS	--	(84,457)
(PURCHASE) SALE OF SECURITIES	4,195	74,438
PURCHASE OF NON-CURRENT ASSETS	(47,538)	(26,154)
CASH FLOW FROM INVESTING ACTIVITY - CONTINUING OPERATIONS	(38,051)	(36,273)
FINANCING ACTIVITY		
INFLOWS FOR CAPITAL INCREASES	973	10,696
OTHER CHANGES IN EQUITY	(2,201)	(11,429)
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS/FINANCIAL RECEIVABLES	(32,334)	(31,526)
BUY-BACK OF OWN SHARES	(16,751)	(17,164)
DIVIDENDS PAID	(29,762)	(41,673)
CASH FLOW FROM FINANCING ACTIVITY - CONTINUING OPERATIONS	(80,075)	(91,096)
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS	(39,426)	(45,857)
NET CASH AND CASH EQUIVALENTS - OPENING BALANCE - OF DISCONTINUED OPERATIONS	1,000	1,000
NET CASH AND CASH EQUIVALENTS - OPENING BALANCE	320,492	293,126
NET CASH AND CASH EQUIVALENTS - CLOSING BALANCE	282,066	248,269

5. Consolidated statement of changes in equity

(in thousands of euro)	Attributable to shareholders of the parent company							Minority interests	Total
	Share capital issued	less treasury shares	Share capital	Reserves	Retained earnings (losses)	Net income (losses) for the year	Total		
BALANCE AT 31 DECEMBER 2015	359,605	--	359,605	110,571	78,901	18,687	567,764	1,005,314	1,573,078
Capital increases	--	--	--	--	--	--	--	11,487	11,487
Dividends to Shareholders	--	--	--	--	(10,069)	--	(10,069)	(34,604)	(44,673)
Retained earnings	--	--	--	--	18,687	(18,687)	--	--	--
Effects of changes in equity of subsidiaries	--	--	--	(12,258)	--	--	(12,258)	(73,323)	(85,581)
<i>Comprehensive result for the year</i>									
Fair value measurement of hedging instruments	--	--	--	486	--	--	486	1,091	1,577
Fair value measurement of securities	--	--	--	(274)	--	--	(274)	2,351	2,077
Securities fair value reserve released to income statement	--	--	--	(314)	--	--	(314)	(260)	(574)
Effects of changes in equity of subsidiaries	--	--	--	92	--	--	92	188	280
Currency translation differences	--	--	--	751	--	--	751	852	1,603
Actuarial gains (losses)	--	--	--	(4,013)	--	--	(4,013)	(8,853)	(12,866)
Result for the period	--	--	--	--	--	21,249	21,249	39,239	60,488
<i>Total comprehensive result for the year</i>	--	--	--	(3,272)	--	21,249	17,977	34,608	52,585
BALANCE AT 31 DECEMBER 2016	359,605	--	359,605	95,041	87,519	21,249	563,414	943,482	1,506,896
Capital increases	--	--	--	--	--	--	--	84,625	84,625
Dividends to Shareholders	--	--	--	--	--	(10,069)	(10,069)	(19,693)	(29,762)
Retained earnings	--	--	--	940	10,240	(11,180)	--	--	--
Adjustment for treasury share transactions	--	(6,170)	(6,170)	(1,179)	--	--	(7,349)	--	(7,349)
Effects of changes in equity of subsidiaries	--	--	--	(15,382)	--	--	(15,382)	7,232	(8,150)
<i>Comprehensive result for the year</i>									
Fair value measurement of hedging instruments	--	--	--	620	--	--	620	1,355	1,975
Fair value measurement of securities	--	--	--	(2,032)	--	--	(2,032)	(1,202)	(3,234)
Securities fair value reserve released to income statement	--	--	--	(439)	--	--	(439)	(358)	(797)
Effects of changes in equity of subsidiaries	--	--	--	(94)	--	--	(94)	(331)	(425)
Currency translation differences	--	--	--	(4,987)	--	--	(4,987)	(8,950)	(13,937)
Actuarial gains (losses)	--	--	--	739	--	--	739	1,622	2,361
Result for the period	--	--	--	--	--	14,629	14,629	32,364	46,993
<i>Total comprehensive result for the year</i>	--	--	--	(6,193)	--	14,629	8,436	24,500	32,936
BALANCE AT 30 JUNE 2017	359,605	(6,170)	353,435	73,227	97,759	14,629	539,050	1,040,146	1,579,196

6. Notes to interim consolidated financial statements

1. Structure and content of the financial statements

These condensed interim consolidated financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and with the related interpretation of the International Financial Reporting Interpretations Committee (IFRIC) and ratified by the European Union in force at 30 June 2017. Please refer to the section entitled "Adoption of new accounting standards, interpretations and amendments" for an illustration of the new standards into force with effect from 1 January 2017. In particular, note that the adoption of the new standards had no impact on the Group's equity and income statement.

These condensed interim consolidated financial statements have been prepared on a condensed basis in accordance with IAS 34 "Interim Financial Reporting". Therefore, they do not include all of the information required for annual reports and should be read in conjunction with the financial statements for the year ended 31 December 2016.

The condensed interim consolidated financial statements at 30 June 2017 include the parent company Cofide S.p.A. (hereinafter "COFIDE") and its subsidiaries, and were prepared using the accounts of the individual companies included in the scope of consolidation; these correspond to their separate interim 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 principles listed below and, where compatible, with Italian regulations.

The classification formats 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 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 period and in the previous year;
- the statement of comprehensive income shows the income items that are suspended in equity.

Starting from these condensed interim consolidated interim financial statements, the income statement item "Adjustments to the value of investments consolidated at equity" has been reclassified from EBIT to financial management. For comparative purposes, this item has also been reclassified in the income statement of the interim consolidated financial statements for 2016.

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 valuation processes, particularly the more complex ones such as the determination of impairment of non-current assets, are generally carried out only when preparing the annual 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 permanent losses.

Income taxes are recognised on the basis of the best estimate of the weighted average tax rate for the entire year.

Note that on 27 June 2017, the integration of GEDI Gruppo Editoriale S.p.A. ("**GEDI**") and the activities of Italiana Editrice S.p.A. ("**ITEDI**") and its group was completed. The transaction was completed following the capital increase of GEDI approved by the Shareholders' Meeting on 27 April 2017, by means of a deed of transfer of the shareholdings in ITEDI held by FIAT Chrysler Automobiles S.p.A. ("**FCA**") and Ital Press Holding S.p.A. ("**IPH**") to GEDI, namely 77% and 23% respectively (the "**ITEDI Shares**"). As a result of this increase, CIR S.p.A. holds 43.4% of GEDI (45.3% net of treasury shares in portfolio), while ITEDI, FCA and IPH shareholders have been allocated 14.63% and 4.37% of GEDI.

The dilutive effect of this transaction led to a reduction in COFIDE Group's equity of approximately € 16.1 million.

2. Consolidation principles

2.a. Consolidation methods

The scope of consolidation includes all companies over which the Group exercises control pursuant to IFRS 10.

Under the definition of "control", an investor controls an investee when it has power over the relevant activities, is exposed to variable returns arising from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.

Subsidiaries are fully consolidated from the date on which the Group takes control and are de-consolidated when such control ceases to exist.

Consolidation is on a line-by-line basis.

For consolidation purposes, all Group companies' financial statements are prepared as of the same date, using the same accounting policies and for a period of the same length.

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

- the carrying value of the investments is eliminated against their equity and the difference between the acquisition cost and equity of investees is posted, where appropriate, to the assets and liabilities items included in the consolidation scope. The residual portion, if any, is posted to income if negative or to assets as goodwill if positive. Goodwill is tested for impairment based on its recoverable value;
- significant transactions between consolidated companies are eliminated, as are receivables and payables and unrealised profits on transactions between Group companies, net of taxes;
- minority interests in equity and the net result for the period are shown separately in the consolidated statement of financial position and income statement.

Associates

All companies in which the Group has a significant influence, without having control, in accordance with IAS 28, are considered associates. Significant influence is presumed to exist when the Group has between 20% and 50% of the voting rights (excluding cases of joint control). Associates are consolidated using the equity method from the date on which the Group acquires significant influence in the associate and are de-consolidated from the moment when this influence no longer exists.

The main criteria used when applying the equity method are the following:

- the carrying value of the investments is eliminated against their and any positive difference identified at the time of the acquisition, net of any impairment measured using the impairment test; the corresponding share of income or loss for the period is posted to the income statement. If the Group's portion of the associate's accumulated losses exceeds the carrying value of the investment, the investment is written off and any further losses are not recorded, unless the Group has a contractual obligation to do so;
- any unrealised gains and losses generated by transactions between Group companies are eliminated, except where the losses reflect impairment of the associate's assets;
- the accounting policies of associates are amended, where necessary, to bring them into line with those of the Group.

Joint ventures

Joint ventures are measured using the equity method pursuant to IFRS 11.

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

Foreign subsidiaries' financial statements (assuming that they do not operate in a hyperinflationary 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 year-end exchange 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 2017		2016	
	<i>Average exchange rate</i>	<i>30.06.2017</i>	<i>Average exchange rate</i>	<i>31.12.2016</i>
US dollar	1.0825	1.1412	1.1069	1.0541
Swiss franc	1.07664	1.0930	1.09016	1.0739
GB pound	0.8601	0.8793	0.81948	0.85618
Brazilian real	3.4393	3.7600	3.8616	3.4305
Argentine peso	16.9981	18.8857	16.3345	16.7476
Chinese renminbi	7.4416	7.7387	7.3497	7.3201
Indian rupee	71.1238	73.7463	74.3494	71.5820
New Romanian leu	4.5364	4.5523	4.4907	4.5391
Canadian dollar	1.4445	1.4785	1.4664	1.4188
Mexican peso	21.0261	20.5846	20.6569	21.7723
Hong Kong dollar	8.4161	8.9071	8.5903	8.1753

2.c. Scope of consolidation

The condensed interim consolidated financial statements at 30 June 2017 and the consolidated financial statements of the previous year are the result of the consolidation of COFIDE (Parent Company) and all of companies directly or indirectly controlled, jointly controlled or associated at those dates. Assets and liabilities to be disposed are reclassified to specific asset and liability items to highlight these circumstances.

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

With reference to the provisions of IFRS 12, the following is the disclosure on non-controlling interests present in minority interests and associates deemed relevant for the Group.

For these purposes The Group has defined as relevant the companies representing at least 2% of total assets, net of assets held for sale, or 5% of total Group revenues.

At 30 June 2017 there are no relevant companies with significant non-controlling interests.

Among relevant associates, Persidera S.p.A. (interest held through the GEDI Group) meets the above requirements. Its figures are given below:

Persidera S.p.A.

<i>(in thousands of euro)</i>	<i>30.06.2017</i>
Revenue	35,216
Net income	4,270
Comprehensive income	4,184
Non-current assets	137,763
Current assets	30,763
Total assets	168,526
Non-current liabilities	42,236
Current liabilities	32,785
Total liabilities	75,021

Change in the scope of consolidation

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

▪ **MEDIA**

The scope of consolidation has changed compared with the previous year.

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. is the publisher of two important daily newspapers "La Stampa" and "Il Secolo XIX"; in addition, the ITEDI group, in

addition to its publishing activity, operates in the field of local advertising through Publikompass S.p.A., which acts as an advertising agency, 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.

During the six months ended 30 June 2017, the ITEDI group generated revenue of € 62,211 thousand and a net loss of € 1,168 thousand. If the acquisition had taken place on 1 January 2017, consolidated revenue would have amounted to € 339,988 thousand and the consolidated profit for the period would have been € 6,199 thousand. When calculating these amounts, it was assumed that the fair value adjustments at the acquisition date, determined on a provisional basis, would have been the same even if the acquisition had taken place on 1 January 2017.

Amount of the transaction

For the purposes of the contribution by means of a reserved increase in capital, the transfer value of the ITEDI shares to GEDI was agreed between the parties on the basis of a valuation of ITEDI (i.e. the equity value of 100% of the share capital) of € 79,969,000. On the basis of the exchange ratios between the two groups, which were also established conventionally between the parties, the transaction was carried out by an increase in share capital, which involved issuing 96,651,191 new ordinary shares at a unit price of € 0.827397978 per share (including a share premium of € 0.677397978).

For the purpose of recognizing the business combination, however, the share issue represents the amount transferred as payment for the acquisition. Consequently, in accordance with IFRS 3 Business Combinations, we determined the fair value of the ordinary shares at the issue date (which coincides with the date of acquisition of control), which was calculated on the basis of the market price of GEDI's shares as of that date. The market price of the 96,651,191 new shares at 27 June 2017 was € 0.8655 per share, for a total transaction value of € 83,651,605.81 of which € 14,497,678.65 was recognized as an increase in capital (par value of € 0.15 per share) and € 69,153,927.16 as the share premium (€ 0.7155 per share).

Costs relating to the acquisition

During the first half of 2017, the GEDI group incurred costs for the transaction of € 749 thousand, including legal expenses, reporting and advisory costs; these costs have been recognized in equity, in accordance with the international accounting standards for business combinations carried out through the issue of equity instruments.

Identifiable assets acquired and liabilities assumed

The amounts provisionally recognized for the assets acquired and liabilities assumed at 30 June 2017 are summarized below:

	<i>Notes</i>	<i>Amount € thousand</i>
Assets		
Intangible assets with an indefinite useful life - Titles	7.a.	107,369
Intangible assets	7.a.	1,704
Property, plant and equipment	7.b.	21,392
Other investments	7.e.	1,174
Other non-current receivables	7.f.	207
Deferred tax assets	7.h.	7,611
Inventories	8.a.	4,399
Trade receivables	8.b.	17,426
Other current receivables	8.c.	8,032
Financial receivables	8.d.	50
Cash and cash equivalents	8.g.	8,965
Total assets		178,329
Liabilities		
Other non-current borrowings	10.b.	8,066
Deferred tax liabilities	7.h.	31,251
Personnel provisions	10.c.	13,972
Provisions for risks and charges (non-current portion)	10.d.	1,069
Other current loans and borrowings	11.b.	8,747
Trade payables	11.c.	17,934
Other current payables	11.d.	13,615
Provisions for risks and charges (current portion)	10.d.	17,267
Total liabilities		111,921
Provisional fair value of net assets		66,408

With reference to the amounts mentioned above, note that the identification of fair value of the assets acquired and liabilities assumed has not yet been completed, as permitted by IFRS 3. The entire difference of € 61,806 thousand between the value paid for the transaction and the book value of the other assets acquired and liabilities assumed (€ 21,846 thousand) was provisionally allocated to the two newspapers "La Stampa" and "Il Secolo XIX", with consequent recognition of deferred taxation of € 17,244 thousand (at a tax rate of 27.9%). However it is important to note that pending completion of the process of determining the fair value of the assets acquired and liabilities assumed, the values of the individual assets and liabilities mentioned above, as well as the residual value currently attributed to goodwill, may turn out to be different at the end of the allocation process.

Goodwill

Goodwill resulting from the acquisition has been recognized as shown in the following table:

	<i>Amount € thousand</i>
Total value of the transaction	83,652
Provisional fair value of the net assets	66,408
Goodwill	17,244

▪ **AUTOMOTIVE COMPONENTS**

Sogefi Suspension France S.A. increased its holding in S.ARA Composite S.A.S. from 95.65% to 95.98%.

There were no other changes in the scope of consolidation during the period.

▪ **HEALTHCARE**

During the first half of the year, we completed the acquisition of Laboratorio Salus Macerata S.r.l., definition of which generated goodwill of € 761 thousand against a price paid of € 820 thousand, as well as the acquisition of the "Barbarano" care home business unit for € 2,970 thousand, which led to goodwill of € 2,770 thousand.

▪ **OTHER COMPANIES**

The scope of consolidation has not changed compared with the previous year.

3. Accounting policies

3.a. Intangible assets (IAS 38)

Intangible assets are recognised only if they can be separately identified, if it is likely that they will generate future economic benefits and if the cost can be measured reliably.

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

Intangible assets are initially recognised at purchase or production cost.

Purchase cost is represented by the fair value of the means of payment used to purchase the asset and any additional direct cost incurred to prepare the asset for use. The purchase cost is the equivalent price in cash at the date of recognition; where payment is deferred beyond normal terms of credit, the difference compared with the cash price is recognised as interest for the whole period of deferment.

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

Intangible assets with an indefinite useful life are not amortised, but monitored constantly for impairment. It is mainly the GEDI group's newspaper/magazine titles and TV/radio frequencies that are considered intangible assets with an indefinite useful life.

The carrying value of intangible assets is maintained to the extent that there is evidence that this value can be recovered through use; to this end, an impairment test is carried out at least once a year to check that the intangible asset is able to generate future cash flows.

Development costs are recognised as intangible assets when their cost can be measured reliably, when there is a reasonable assumption that the asset can be made available for use or for sale and that it is able to generate future benefits. Once a year or when it appears to be justified, capitalised costs are impairment tested for impairment.

Research costs are charged to the income statement as and when they are incurred.

Trademarks and licences, which are initially recognised at cost, are subsequently accounted for net of amortisation and accumulated impairment losses. The period of amortisation is defined as the lower of the contractual duration for use of the licence and the useful life of the asset.

Software licences, including associated costs, are recognised at cost and are recorded net of amortisation and any accumulated impairment losses.

Goodwill

In the event of the acquisition of companies, the identifiable assets, liabilities and contingent liabilities acquired are recognised at their fair value as at the acquisition date. The positive difference between the acquisition cost and the Group's share of the fair value of these assets and liabilities is classified as goodwill and recorded in the statement of financial position as an intangible asset. Any negative difference ("badwill") is posted to the income statement at the time of acquisition.

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

See paragraph 3.x. below (Business Combinations and Goodwill).

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

Tangible assets are recognised at purchase price or production cost, net of accumulated depreciation.

Cost includes associated expenses and any direct and indirect costs incurred at the time of acquisition and needed to make the asset ready for use. Financial charges relating to specific loans for long-term investments are capitalised up to the date when the assets become operational.

When there are contractual or compulsory obligations for decommissioning, removing or clearing sites where Non-current assets are installed, the value recognised also includes a discounted estimate of the costs that will be incurred for their disposal.

Fixed assets are depreciated each year on a straight-line basis over the residual useful life of the assets.

Land, assets under construction and advance payments are not depreciated.

Land and buildings not used for corporate operating purposes are classified under a separate asset item and accounted for on the basis of IAS 40 "Investment property" (see paragraph 3.e. below).

In the event of circumstances that suggest that an asset has been impaired, its carrying value is checked against its recoverable value (i.e. fair value or value in use, whichever is the higher). Fair value can be established on the basis of values expressed by an active market, recent transactions or the best information with a view to determining the potential proceeds of selling the asset. Value in use is determined by discounting the cash flows expected from using the asset, applying best estimates of its residual useful life and a rate that takes into account the implicit risk of the specific business sectors in which the Group operates.

If there is a negative difference between these values and the carrying value, the asset gets written down; if subsequently the reasons for the impairment no longer apply, the asset is revalued. Such write-downs and revaluations are posted to the income statement.

3.c. Government grants

Government grants are recognised when there is a reasonable degree of certainty that the recipient will comply with the conditions for the grant, whether or not there is a formal resolution awarding it; in other words, when it is highly likely that the grant will be received.

Capital grants are recognised in the statement of financial position either as deferred income, which is then transferred to the income statement over the useful life of the asset being financed, thereby reducing the depreciation charge, or by deducting them directly from the asset in question.

Government grants obtainable in the form of a reimbursement of expenses and costs already incurred or to provide immediate support for the recipient without there being any future costs related to the grant, are recognised as income in the period in which they can be claimed.

3.d. Leases (IAS 17)

Lease contracts for assets where the lessee substantially assumes all the risks and rewards of ownership are classified as finance leases. Where such finance leases exist, the asset is recognised at the lower of its fair value and the present value of the minimum lease payments stipulated in the contracts. Total lease payments are allocated between the financial element and the capital to be reimbursed in order to obtain a constant rate of interest on the outstanding debt. The residual lease payments, net of financial charges, are classified as borrowings. The interest expense is charged to the income statement over the period of the lease. Assets acquired under finance leases are depreciated to an extent consistent with the nature of the asset. Lease contracts in which the lessor substantially retains the risks and rewards of ownership, on the other hand, are classified as operating leases and payments made under such leases are charged to the income statement on a straight-line basis over the period of the lease.

In the event of a sale and leaseback agreement, any difference between the selling price and the carrying value of the asset is not recognised to the income statement unless the asset itself suffers an impairment loss.

3.e. Investment property (IAS 40)

Investment property is property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

The cost of an investment property is represented by its purchase price, as well as any improvements, replacements and extraordinary maintenance.

For self-constructed investment property, an estimate is made of all costs incurred up to the date on which the construction or development is finished. Until that date, IAS 16 applies.

In the case of an asset held under a finance lease, the initial cost is determined according to IAS 17 as the lower of the fair value of the property and the present value of the minimum lease payments due.

The Group has opted for the cost model to be applied to all investment property held. Under the cost model, the value is measured net of depreciation and any impairment losses.

3.f. Impairment of intangible and property, plant and equipment (IAS 36)

At least once a year the Group verifies whether the carrying value of intangible and tangible assets (including capitalised development costs) are recoverable, in order to determine whether the assets have suffered impairment. If such evidence exists, the carrying value of the assets is reduced to its recoverable value.

An intangible asset with an indefinite useful life is tested for impairment at least once a year; more frequently if there is any sign that it may have suffered a loss in value.

When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use.

To determine the value in use of an asset, the Group calculates the present value of estimated future cash flows, applying a discount rate that is consistent with the cash flows and which reflects the current market assessment of the time value of money and the specific risks of the business sector.

An impairment loss is recognised if the recoverable value is lower than the carrying value.

If at a later date the loss on an asset (other than goodwill) no longer exists or is less than it was, the carrying value of the asset or of the cash generating unit is written up to the new estimated recoverable value, though it cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in the income statement.

3.g. Other investments

Investments in companies where the Parent Company does not exercise a significant influence are accounted for in accordance with IAS 39, which means that they are classified as available for sale and measured at fair value, or at cost if the fair value or market price cannot be reliably estimated.

3.h. Receivables and payables (IAS 32, 39 and 21)

Receivables and payables are initially recognised at their fair value, which usually corresponds to the nominal value. Receivables are adjusted, where necessary, to their estimated realisable value. Subsequently, receivables and payables are measured at amortised cost.

Receivables and payables in foreign currencies are initially accounted for at the exchange rates in force on the transaction date. They are then adjusted to the period-end exchange rates and any exchange gains and losses are recognised to the income statement (see paragraph 3.u. below).

3.i. Securities (IAS 32 and 39)

In accordance with IAS 32 and IAS 39, investments in companies other than subsidiaries and associates are classified as financial assets available-for-sale and measured at fair value.

Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. In the event of impairment losses or when the assets are sold, the gains and losses previously recognised to equity are transferred to the income statement.

Note that purchases and sales are recognised on the trade date.

This category also includes financial assets acquired or issued and then classified either as held for trading or at fair value through profit or loss according to the fair value option.

For further details of the accounting treatment of financial assets, reference should be made to the specific note on "Financial Instruments".

3.l. Income taxes (IAS 12)

Current taxes are recognised and measured on the basis of a realistic estimate of taxable income under current tax regulations of the country in which the company is based, taking into account any exemptions and tax credits that may be claimed.

Deferred taxes are calculated on the basis of any temporary differences (taxable or deductible) between the carrying values of assets and liabilities and their tax bases and are classified as non-current assets and liabilities.

A deferred tax asset is recognised to the extent that taxable income will probably be available in the future to offset deductible temporary differences.

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

3.m. Inventories (IAS 2)

Inventories are shown at the lower of weighted average purchase or production cost and their estimated realisable value.

3.n. Cash and cash equivalents (IAS 32 and 39)

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into cash and which have an insignificant risk of changes in value.

3.o. Equity

Ordinary shares are recorded at their nominal value. Costs directly attributable to the issuance of new shares are deducted from equity reserves, net of any related tax benefit.

Treasury shares are shown separately as a deduction from reserves; any subsequent sale, reissuance or cancellation will not have any impact on the income statement, only on equity.

Unrealised gains and losses on financial assets classified as "available for sale" are recognised, net of tax, under equity in the fair value reserve.

The reserve is reversed to the income statement when the financial asset is realised or an impairment loss it is recognised.

The hedging reserve is formed when changes in fair value are recognised on derivatives which have been designated as "cash flow hedges" or "hedges of net investments in foreign operations" for the purposes of IAS 39.

The portion of gains and losses considered "effective" is recognised to equity and is reversed to the income statement as and when the elements being hedged are in turn recognised to the income statement, or when the subsidiary is sold.

When a subsidiary prepares its financial statements in a currency different from the Group's functional currency, the subsidiary's financial statements are translated and any translation differences are recognised in a special reserve. When the subsidiary is sold the reserve is reversed to the income statement, accounting for any gains or losses on the disposal.

"Retained earnings (carried forward)" include accumulated earnings and balances transferred from other reserves when these are released from any previous limitations.

This item also shows the cumulative effect of any changes in accounting principles and/or the correction of errors, which are accounted for in accordance with IAS 8.

3.p. Financial liabilities (IAS 32 and 39)

Loans are initially recognised at cost, represented by their fair value net of any transaction costs incurred. Subsequently, borrowings are measured at amortised cost calculated by applying the effective interest rate method, taking into consideration any issuance costs incurred and any premium or discount applied when the instrument is settled.

3.q. Provisions for risks and charges (IAS 37)

Provisions for risks and charges refer to liabilities which are probable, but where the amount and/or maturity is uncertain. They are the result of past events which will cause a future cash outflow. Provisions are recognised exclusively in the presence of a current obligation to third parties, whether legal or implicit, which implies an outflow and when a reliable estimate of the amount involved can be made. The amount recognised as a provision is the best estimate of the disbursement required to settle the obligation at the reporting date. The provisions recognised are reviewed at the close of each accounting period and adjusted to represent the best current estimate. Changes in the estimate are recognised to the income statement.

When the estimated outflow relating to the obligation is expected in a time horizon longer than normal payment terms and the discount factor is significant, the provision represents the present value, discounted at a nominal risk-free rate, of the expected future outflows to settle the obligation.

Contingent assets and liabilities (potential assets and liabilities, or those not recognised because no reliable estimate can be made) are not recognised. However, adequate disclosure on such items is provided.

3.r. Revenue and income (IAS 18)

Revenue from the sale of goods is recognised at the time ownership and the risks related to the goods are transferred, net of returns, discounts and rebates.

Service revenue is recognised when the service is provided, based on its stage of completion at the reporting date.

Income from dividends, interest and royalties is recognised as follows:

- dividends, when the right to receive payment is established (with a balancing entry under receivables when distribution is approved);
- interest, using the effective interest rate method (IAS 39);
- royalties, on an accrual basis, in accordance with the underlying contractual agreement.

3.s. Employee benefits (IAS 19)

Benefits to be paid to employees on termination of their employment and other long term benefits are subject to actuarial valuation.

Following this methodology, liabilities recognised represent the present value of the obligation adjusted for any actuarial gains or losses not accounted for.

Finance Law no. 296/2006 made important changes to post-employment benefits(TFR) regulations, introducing the option for workers to transfer their indemnity maturing after 1 January 2007 to selected pension schemes. Therefore, all post-employment benefits(accrued as at 31 December 2006 for employees who exercised this option, while remaining within the sphere of defined benefit plans, was determined using actuarial methods that exclude the actuarial/financial components relating to future changes in salary.

In accordance with this standard, the COFIDE Group now measures and recognises the notional cost of stock options and stock grants to the income statement under personnel costs and apportions them throughout the vesting period of the benefit, with a balancing entry in the appropriate equity reserve.

The cost of the option is determined at the assignment date of the plan, applying special models and multiplying by the number of options exercisable over the reference period, assessed with the aid of appropriate actuarial variables.

Similarly, the cost resulting from the assignment of phantom stock options is determined in relation to the fair value of the options at the assignment date and is recognised to the income statement under personnel costs over the vesting period of the benefit; unlike for stock options and stock grants, the balancing entry is recorded under liabilities (other personnel provisions) and not in an equity reserve. Until this liability is extinguished its fair value is recalculated at each reporting date and on the date of actual disbursement and all fair value changes are recognised to the income statement.

3.t. Derivatives (IAS 32 and 39)

Derivatives are measured at fair value.

The Group uses derivatives mainly to hedge risks, in particular interest rate, foreign exchange and commodity price risks. Classification of a derivative as a hedge is formally documented, stating the effectiveness of the hedge.

For accounting purposes hedging transactions can be classified as:

- fair value hedges – where the effects of the hedge are recognised to the income statement;
- cash flow hedges – where the fair value change of the effective portion of the hedge is recognised directly to equity, while the non-effective part is recognised to the income statement.
- hedges of a net investment in a foreign operation – where the fair value change of the effective portion of the hedge is recognised directly to equity, while the non-effective part is recognised to the income statement.

3.u. Foreign currency translation (IAS 21)

The Group's functional currency is the euro and this is the currency in which its financial statements are prepared. Group companies prepare their financial statements in the currencies used in their respective countries.

Transactions carried out in foreign currencies are initially recognised at the exchange rate on the date of the transaction.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on that date.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated using the exchange rate at the date on which the carrying values were measured.

The assets and liabilities of Group companies whose functional currency is not the euro are measured as follows:

- assets and liabilities are translated using the exchange rate prevailing at the reporting date;
- costs and revenues are translated using the average exchange rate for the period.

Exchange rate gains or losses are recognised directly to a special equity reserve.

Should an investment in a foreign operation be sold, the accumulated exchange rate gains or losses recognised in the equity reserve are reversed to the income statement.

3.v. Non-current assets held for sale (IFRS 5)

A non-current asset is held for sale if its carrying value will be recovered principally through a sale rather than through its use in the business. For this condition to be satisfied the asset must be immediately saleable in its present condition and a sale must be considered highly likely.

Assets or groups of discontinued assets that are classified as held for sale are valued at the lower of their carrying value and the expected realisable value, less costs to sell.

Individual assets or those that form part of a group classified as held for sale are not depreciated.

Presentation of these assets in the financial statements involves showing assets and liabilities on separate lines of the statement of financial position.

3.w. Earnings per share (IAS 33)

Basic earnings per share are determined by dividing net income attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares in circulation during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account all potential ordinary shares, for example deriving from the possible exercise of assigned stock options that could have a dilutive effect.

3.x. Business combinations and Goodwill

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

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

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

In the event of a step acquisition of a subsidiary, the minority interest previously held (recognised up to that point according to IAS 39 – Financial Instruments: Recognition, IAS 28 – Investments in Associates or IFRS 11 – Joint Arrangements – Accounting for acquisitions of interests in joint operations) is treated as if it had been sold and repurchased at the date that control is acquired. The investment is therefore measured at its fair value on the date of "transfer" and any gains and losses resulting from this measurement are recognised to the income statement. Moreover, any amount previously recognised in equity as "Other comprehensive gains and losses", is reclassified to the income statement following the sale of the asset to which it refers. The goodwill (or income in the case of badwill) arising on conclusion of the deal with subsequent acquisition is calculated as the sum of the price paid for the acquisition of control, the value of minority interests (measured using one of the methods permitted by the accounting standard) and the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.

The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition are accounted for at their fair value on the date of acquisition. Any

positive difference between the acquisition cost and the fair value of the Group's share of net assets acquired is recognised as goodwill or, if negative, charged to the income statement. After initial recognition, goodwill is valued at cost less any accumulated impairment loss. Goodwill always refers to identified income-producing assets, whose ability to generate income and cash flow is monitored constantly for impairment.

The accounting treatment of the acquisition of any further investment in companies already controlled are considered transactions with shareholders and therefore any differences between acquisition costs and the carrying value of the minority interests acquired are recognised in Group equity. Likewise, sales of minority interests not involving loss of control do not generate gains/losses in the income statement, but changes in Group equity.

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

3.y. Use of estimates

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

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

The items mainly affected by this use of estimates are goodwill, deferred taxes, provisions for risks and charges, personnel provisions and the fair value of financial instruments, stock options, phantom stock options and stock grants.

See the notes on these specific items for further details.

4. Financial instruments

Financial instruments take on a particular significance in the COFIDE Group's economic and financial structure. For this reason, management felt that it would be useful to devote a special section to accounting standards IAS 32 and IAS 39, to help readers understand better the financial issues involved.

According to IAS 32 financial instruments are classified into four categories:

- a) financial instruments measured at fair value through profit and loss in application of the fair value option (FVTPL); and held for trading;
- b) investments held to maturity (HTM);
- c) loans and receivables (L&R);
- d) financial assets available-for-sale (AFS).

Classification depends on the intended use of the financial instrument within the context of the company's financial management and each involves a different type of measurement for accounting purposes; financial transactions are recognised on the basis of their value date.

Financial instruments at fair value through profit and loss

Financial instruments are classified as such if they satisfy one of the following conditions:

- they are held for trading;
- They are designated as such under the fair value option, on the assumption that the fair value can be reliably determined.

Trading generally means frequent buying and selling with the aim of generating profit on the short-term from price fluctuations.

Derivatives are included in this category unless they are designated as hedge instruments.

The initial designation of financial instruments, other than derivatives and those held for trading, as instruments at fair value through profit or loss under the fair value option is limited to those that meet the following conditions:

- a) designation under the fair value option eliminates or significantly reduces an accounting mismatch;
- b) a group of financial assets, financial liabilities or both are managed and their performance is measured on a fair value basis in accordance with a documented investment risk strategy, and;
- c) an instrument contains an embedded derivative which meets particular conditions.

The designation of an individual instrument to this category is final, it is made at the time of initial recognition and cannot be modified.

Investments held to maturity

This category includes non-derivative instruments with fixed or determinable payments and a fixed maturity, which the Company intends and is able to hold to maturity.

These instruments are measured at amortised cost and constitute an exception to the general principle of measurement at fair value.

Amortised cost is determined by applying the effective interest rate of the financial instrument, taking into account any discounts received or premiums paid at the time of purchase, and recognising them throughout the entire life of the instrument until its maturity.

Amortised cost represents the initial recognition value of a financial instrument, net of any capital repayments and any impairment, plus or minus cumulative differences between its initial value and its value at maturity calculated using the effective interest rate method.

The effective interest rate method is a way of calculating the financial charges to be assigned to a particular period.

The effective interest rate is the rate that gives a correct present value to expected future cash flows until maturity, so as to obtain the net present carrying value of the financial instrument.

If even only one instrument belonging to this category is sold before maturity, for a significant amount and where there is no special justification for its disposal, the so-called "tainting rule" gets applied: this requires that the whole portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, after which this category cannot be used for the next two years.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not held for trading.

The category includes trade receivables (and payables).

Measurement of these instruments, except for those classified as current assets or liabilities (within twelve months), is made by applying the amortised cost method, using the effective interest rate and taking into account any discounts received or premiums paid at the time of acquisition and recognising them throughout the entire life of the instrument until its maturity.

Financial assets available-for-sale

This is a "residual" category which includes non-derivative financial instruments that are designated as available for sale and not included in any of the previous categories.

Financial instruments available-for-sale are recognised at their fair value plus any transaction costs.

Gains and losses are recognised to a separate equity item until the financial instruments are sold or impaired. In such cases, the gains and losses accrued to equity up to that point are recognised in the income statement.

This item also includes insurance policies subscribed by CIR Investimenti S.p.A. This deals with capitalisation policies and life insurance policies with returns linked to separate insurance portfolios and in certain cases, to unit linked funds. The return accrued each year, being financial in nature, like interest, is recognised in the income statement. The yields linked to unit linked funds as well as to changes in fair value are recorded in the comprehensive income statement and only in case of impairment or redemption recognised in the income statement. The valuation in the financial statements is based on the communications received from the insurance companies.

Investments in financial assets can only be derecognised (i.e. eliminated from the financial statements) when the contractual rights to receive their respective financial cash flows have expired or when the financial asset is transferred to third parties together with all associated risks and benefits.

Fair value

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

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

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

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

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

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

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

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

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

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

IFRS 13 provides for the classification of the instruments being measured at fair value according to the observability of the inputs used for pricing them.

The fair value hierarchy has three levels:

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

5. Accounting standards, changes in accounting estimates and errors

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

If first-time application of a standard affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rules, the nature of the change, a description of

the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.

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

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

A change in accounting estimate involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement.

Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting period after they were discovered.

6. Adoption of new accounting standards, interpretations and amendments

Accounting standards, amendments and interpretations of IFRS applied from 1 January 2017:

There are no new accounting standards, amendments and interpretations to be applied by the Group for the first time with effect from 1 January 2017.

Accounting 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 at 30 June 2017:

- IFRS 15 – Revenue from Contracts with Customers (published on 28 May 2014 with further clarifications published on 12 April 2016) that will replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue-Barter Transactions Involving Advertising Services. 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 basic steps for the recognition of revenue under the new model are:
 - identification of the contract with the customer;
 - identification of the performance obligations laid down in the contract;
 - determination of the price;
 - allocation of the price to the performance obligations laid down in the contract;
 - the method of recognition of the revenues when the entity meets each performance obligation.

This standard will be applicable from 1 January 2018, but earlier application is permitted. The amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers, published by the IASB on 12 April 2016, have not yet been endorsed by the European Union.

The Directors expect that application of IFRS 15 could have a significant impact on the amounts booked as revenues and on the related disclosures to be made in the Group's 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 its contracts with customers.

In particular, with reference to the automotive sector, the Sogefi group's contracts with OEM/OES car makers generally include three major contractual promises:

- development of a production process to make goods based on the customer's specifications;
- provision of tooling, such as the equipment and moulds used in production of the goods;
- supply of the goods.

The Group has come to the conclusion that the supply of goods represents a distinct performance obligation, while the development of a production process does not meet the requirements to be considered a separate performance obligation (the related revenues will be recognized over the same period of time of the performance obligation for the supply of goods); this does not constitute a change in the method of recognizing revenues of these contractual promises compared with the current situation.

The company is also completing its analysis of the provision of tooling, where there are legal agreements with different customers in the various jurisdictions where the Sogefi group operates (ownership of the tooling could be transferred to the car manufacturer before the start of mass production against a fixed fee or at the end of mass production, when the revenue from the sale of the tooling is included in the selling price of the individual goods).

With the exception of tooling, where the analysis is still underway, in the supply to car makers, control is transferred to customers on shipment/delivery of the goods, so the revenue will be recognized at that moment in time; this is no different from the current revenue recognition policy.

The Sogefi group has analysed the contractual promise of the warranties given for components sold, concluding that it is not a separate performance obligation because it does not provide additional services for the benefit of customers. Warranty costs will continue to be recognized in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The Sogefi group identified an impact on the presentation of revenues from customers of the after-market segment. This is due to "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 revenues. These costs are currently shown in "Variable cost of sales" because they are considered marketing costs provided by customers.

The Group intends to adopt an amended retrospective approach on the transition to IFRS 15, as it does not expect a material impact on equity at 1 January 2018 following the adoption of IFRS 15. If this assumption changes as a result of the analysis that is currently underway, the Group may reconsider this approach.

During the second half of 2017, the Group will complete its analysis of the impact of applying the new standard.

- Final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document includes the results of steps relating to classification and measurement, 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);

This new standard, which replaces the previous versions of IFRS 9, has to be applied in financial statements beginning on or after 1 January 2018. The Directors are of the opinion that application of IFRS 9 could have a significant impact on the amounts and disclosures to be reported in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis.

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

At the reporting date of these consolidated financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following amendments and standards.

- 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 Involving 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 a financial payable as the counter-entry. The standard also provides an option not to recognize as leasing those 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 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 contracts.

- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19 January 2016). This document clarifies the recognition of deferred tax assets for unrealised losses under certain circumstances, as well as how to estimate future taxable income. The Directors are currently assessing the potential effects of these amendments on the Group's consolidated financial statements.
- Amendment to IAS 7 "Disclosure Initiative" (published on 29 January 2016). This document provides clarifications intended to improve the disclosures made about financial liabilities. In particular, the amendments require disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments apply from 1 January 2017. There is no requirement to present prior-year comparative information on first-

time application. The Directors are currently assessing the potential effects of these amendments on the Group's consolidated financial statements.

- 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. These amendments will be applicable from 1 January 2018, but earlier application is permitted. The Directors are currently assessing the potential effects of these amendments on the Group's consolidated financial statements.
- "Annual Improvements to IFRSs: 2014-2016 Cycle" (published on 8 December 2016), for which the main changes concern:
 - IFRS 1 – First-time adoption of International Financial Reporting Standards - The amendments eliminate certain exemptions provided for by IFRS 1 as they are no longer of any benefit. The amendments are effective for annual periods beginning on 1 January 2018;
 - IFRS 12 – Information on equity investments in other entities - The amendment clarifies the scope of IFRS 12, specifying that the disclosure required by the standard also applies to investments classified as held for sale, held for distribution to shareholders or as discontinued operations in accordance with IFRS 5. The purpose of this amendment is to standardize the information required by IFRS 5 and IFRS 12. The amendments are effective for annual periods beginning on 1 January 2017;
 - 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 annual periods beginning on 1 January 2018.

The Directors do not expect any impact on the Group's consolidated financial statements from the application of these amendments.

- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). 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, but earlier application is allowed. Directors do not expect any impact on the Group's consolidated financial statements from the application of these amendments.
- 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 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 amendments will apply from 1 January 2018, but earlier application is allowed. Directors do not expect any impact on the Group's consolidated financial statements from the application of these amendments.

- 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 annual periods beginning on 1 January 2019.

7. Non-current assets

7.a. Intangible assets

Opening position				Changes for the period						Closing position			
	Original cost	Accumulated amortisation and write-downs	Net balance 31.12.2016	Acquisitions	Business combinations disposals		Exchange rate losses	Other changes	Net disposals	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance 30.06.2017
					increases	decreases			cost				
(in thousands of euro)													
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development expense													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	211,718	(130,327)	81,391	8,014	1,250	--	(1,239)	4,885	(52)	(17,296)	218,881	(141,928)	76,953
Industrial patents and intellectual property rights	49,246	(19,965)	29,281	1,043	547	--	(1)	--	--	(1,518)	59,085	(29,733)	29,352
Concessions, licences, trademarks and similar rights	84,767	(70,487)	14,280	1,248	1,157	--	(2)	28	--	(1,722)	93,080	(78,091)	14,989
Titles and trademarks	376,317	--	376,317	61,806	45,563	--	--	--	--	--	483,686	--	483,686
Frequencies	87,374	--	87,374	--	--	--	--	--	--	--	87,374	--	87,374
Goodwill	906,334	(542,143)	364,191	20,775	--	--	(130)	--	--	(312)	926,904	(542,380)	384,524
Assets under development and payments on account													
- purchased	6,074	--	6,074	1,015	--	--	(49)	(2,318)	(2)	--	4,720	--	4,720
- produced internally	15,846	(1,649)	14,197	3,646	--	--	(473)	(4,120)	--	(162)	14,972	(1,884)	13,088
Other	27,156	(12,258)	14,898	2	245	--	(37)	65	--	(870)	27,063	(12,760)	14,303
Total	1,764,868	(776,865)	988,003	97,549	48,762	--	(1,931)	(1,460)	(54)	(21,880)	1,915,801	(806,812)	1,108,989

Intangible assets went from € 988,003 thousand at 31 December 2016 to € 1,108,989 thousand at 30 June 2017.

The increase is mainly attributable to provisional recognition of the fair value of the newspapers "La Stampa " and "Il Secolo XIX".

AMORTISATION RATES

	%
Capitalised development expense	20-33%
Industrial patents and intellectual property rights	4-50%
Concessions, licences, trademarks and similar rights	16-33.33%
Other intangible assets	16-33.33%

GOODWILL, 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>	30.06.2017	31.12.2016
La Repubblica	229,952	229,952
Local newspapers	143,056	143,056
La Stampa and Il Secolo XIX	107,369	--
Other titles and trademarks	3,309	3,309
Total	483,686	376,317

The change in this item, compared with 31 December 2016, refers to the provisional fair value measurement of the newspapers "La Stampa" and "Il Secolo XIX" following the integration of the ITEDI group with GEDI, as mentioned in note 2.d above. In this regard, it should be noted that pending completion of the allocation process, the fair value of the assets acquired, and liabilities assumed, as well as the residual value attributed to goodwill, may differ.

Frequencies:

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Radio frequencies	87,374	87,374
Total	87,374	87,374

Goodwill:

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Media (GEDI group)	19,977	2,733
Healthcare (KOS group)	235,909	232,820
Automotive sector (Sogefi group)	128,638	128,638
Total	384,524	364,191

The changes for the period in the Media segment relate to provisional recognition of the fair value of the assets and liabilities of the ITEDI group.

Goodwill has been allocated to the CGUs that were identified in the same way that management of the Parent Company operates and manages its assets, based on the Group's operating sectors. The above chart shows the allocation of goodwill by Group operating sector.

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 selling costs 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 the financial markets and the real economy: guidelines" issued by the O.I.V. (Italian Valuation Board).

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

management. The cash flows to be discounted are therefore distinctive, unlevered operating cash flows (as they refer to individual units).

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

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

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

- 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 was not available, the fair value net of costs to sell was 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 was estimated with reference to the higher of its fair value less costs to sell or its value in use, if both were available.

As required by IAS 36, goodwill is tested for impairment at least once a year, except in cases where there are indications that require an immediate assessment of possible impairment losses.

For the purpose of preparing these condensed interim consolidated financial statements and in accordance with IAS 36, the GEDI group carried out a period-end survey of the main qualitative and quantitative indicators for each Cash Generating Unit involved in the impairment tests, in order to verify whether they had to be updated. These analyses did not show any impairment loss indicators for the CGUs identified by the GEDI group, with the exception of the "Repubblica" CGU, given that the newspaper advertising market has deteriorated more than had been expected. This deterioration reflected on the performance of *La Repubblica*, resulting in a higher-than-expected decline in advertising revenue in the first half of 2017 with respect to what was foreseen when the 2017-2019 three-year plan approved by the Board of Directors on 1 February 2017 was being prepared. As a consequence of this trend, a new impairment test was carried out to reflect the disappointing trend in the advertising market. The impairment test on the "Repubblica" CGU did not reveal any impairment losses.

7.b. Property, plant and equipment

(in thousands of euro)	Opening position			Changes for the period								Closing position		
	Original cost	Accumulated depreciation and write-downs	Net balance 31.12.2016	Acquisitions	Business combinations disposals		Capitalised financial charges	Exchange rate losses	Other changes	Net disposals	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance 30.06.2017
					increases	decreases				cost				
Land	47,483	(585)	46,898	165	-	-	-	(56)	5	-	-	47,587	(575)	47,012
Buildings used for operating purposes	386,153	(162,779)	223,374	1,293	71	-	-	(779)	7,879	-	(7,763)	393,151	(169,076)	224,075
Plant and machinery	907,552	(667,693)	239,859	11,531	14,481	-	-	(4,206)	10,330	(68)	(24,740)	985,046	(737,859)	247,187
Industrial and commercial equipment	147,359	(108,480)	38,879	2,521	56	-	-	(489)	556	(2)	(4,124)	148,729	(111,332)	37,397
Other assets	267,084	(204,774)	62,310	3,559	6,971	-	-	(291)	1,169	(143)	(6,301)	299,137	(231,863)	67,274
Assets under construction and payments on account	60,888	(1,049)	59,839	20,266	-	-	-	(896)	(19,930)	-	-	60,328	(1,049)	59,279
Total	1,816,519	(1,145,360)	671,159	39,335	21,579	--	--	(6,717)	9	(213)	(42,928)	1,933,978	(1,251,754)	682,224

Property, plant and equipment went from € 671,159 thousand at 31 December 2016 to € 682,224 thousand at 30 June 2017.

"Business combinations - increases" refer for € 21,392 thousand to provisional recognition of the fair value of the assets belonging to the ITEDI Group.

DEPRECIATION RATES

	%
Buildings used for operating purposes	3.00%
Plant and machinery	10.00-25.00%
Other assets:	
- Electronic office equipment	20.00%
- Furniture and fittings	12.00%
- Motor vehicles	25.00%

7.c. Investment property

Opening position				Changes for the period								Closing position		
	Original cost	Accumulated depreciation and write-downs	Net balance 31.12.2016	Acquisitions	Business combinations disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance 30.06.2017
					increases	decreases				cost				
<i>(in thousands of euro)</i>														
Land and buildings	29,351	(9,207)	20,144	--	--	--	--	--	1	--	(378)	29,351	(9,584)	19,767
Total	29,351	(9,207)	20,144	--	--	--	--	--	1	--	(378)	29,351	(9,584)	19,767

Investment property has gone from € 20,144 thousand at 31 December 2016 to € 19,767 thousand at 30 June 2017, mainly due to depreciation for the period.
The market value is considerably higher than the carrying value.

DEPRECIATION RATES

Description	%
Buildings	3.00%

The position of leased assets included in property, plant and equipment and of the restrictions applied to such assets on account of guarantees and commitments at 30 June 2017 and 31 December 2016 is as follows:

(in thousands of euro)	Gross leasing amount		Accumulated depreciation		Restrictions for guarantees and commitments	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Land	7,385	7,385	--	--	--	--
Buildings	83,234	76,573	12,224	10,491	131,178	131,178
Plant and machinery	24,018	22,339	11,546	8,939	--	--
Other assets	82	2,203	82	1,739	--	--
Assets under construction and payments on account	--	7,353	--	--	--	--

7.d. Investments in companies consolidated at equity

(in thousands of euro)

	%	Balance 31.12.2016	Increases (Decreases)	Write-downs	Dividends	Pro-rata share of result		Other changes	Balance 30.06.2017
						Loss	Income		
Persidera S.p.A.	30.00	110,649	--	--	(3,900)	(846)	--	--	105,903
Editoriale Libertà S.p.A.	35.00	13,951	--	--	(280)	--	200	--	13,871
Editoriale Corriere di Romagna S.r.l.	49.00	3,264	--	--	--	--	--	--	3,264
Altrimedia S.p.A.	35.00	733	--	--	(35)	--	22	--	720
Le Scienze S.p.A.	50.00	151	--	--	(67)	(8)	--	--	76
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	936	--	--	--	--	--	--	936
Huffingtonpost Italia S.r.l.	49.00	303	--	--	--	(32)	--	--	271
Total		129,987	--	--	(4,282)	(886)	222	--	125,041

With reference to the investment held in Persidera S.p.A., note that the Group's share of result includes amortization of the fair value of digital terrestrial frequencies recognized at the time of acquisition (€ 2,077 thousand for the period).

At 31 December 2016, the investments held in Persidera S.p.A., Editoriale Libertà S.p.A. and Editoriale Corriere di Romagna S.r.l. were subjected to an impairment test, using methodologies and assumptions similar to those adopted for the GEDI group CGU in determining both the fair value and value in use, taking into account each company's specific areas of activity, which did not reveal any loss in value.

7.e. Other investments

(in thousands of euro)	30.06.2017	31.12.2016
Ansa S. Coop. A.R.L.	2,173	1,902
Emittenti Titoli S.p.A.	132	132
Other	4,242	3,289
Total	6,547	5,323

"Other" includes the amount of € 1,174 thousand relating to provisional recognition of the fair value of the assets belonging to the ITEDI group.

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

7.f. Other receivables

"Other receivables" at 30 June 2017 had a balance of € 78,465 thousand, compared with € 79,099 thousand at 31 December 2016.

At 30 June 2017, this item includes the following:

- 37,676 thousand (€ 38,910 thousand at 31 December 2016) of unsecured and mortgage-backed receivables of the securitisation companies Zeus Finance S.r.l. and Jupiter Market Place S.r.l.;
- € 9,375 thousand (€ 9,955 thousand at 31 December 2016) relating to the receivable 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 provided for by the vendor. For further details, please refer to the notes on item 10.d "Provisions for risks and charges";
- € 17,864 thousand of receivables due from the Treasury to the Sogefi group, relating to tax receivables for research and development of the French subsidiaries.

This item includes an amount of € 207 thousand relating to provisional recognition of the fair value of the assets belonging to the ITEDI group.

7.g. Securities

"Securities" at 30 June 2017 amounted to € 78,569 thousand, compared with € 85,009 thousand at 31 December 2016, and mainly refer to investments in private equity funds and minority shareholdings. These investments were measured at fair value, booking as the contra-entry an amount, net of tax, of € 11,348 thousand (€ 13,170 thousand at 31 December 2016) to the fair value reserve for Cofide's portion. During the period, gains for € 6,028 thousand (€ 9,399 thousand in 2016) were realised and booked to item 14.c. "Gains on securities trading".

Certain securities whose fair value is unknown have been recognised at purchase cost.

7.h. Deferred taxes

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)	30.06.2017		31.12.2016	
	Total temporary differences	Tax effect	Total temporary differences	Tax effect
Deductible temporary differences from:				
- write-down of current assets	38,795	10,290	39,013	9,911
- write-down of non-current assets	56,259	14,293	55,752	14,221
- revaluation of current liabilities	13,405	3,861	22,362	6,443
- revaluation of personnel provisions	70,996	16,978	75,010	17,879
- revaluation of provisions for risks and charges	95,896	25,484	78,597	21,046
- revaluation of long-term borrowings	--	--	--	--
- write-down of financial instruments	592	130	691	143
- tax losses from previous years	56,912	17,343	72,757	22,092
Total deferred tax assets	332,855	88,379	344,182	91,735
Taxable temporary differences from:				
- revaluation of current assets	11,022	2,695	9,247	2,226
- revaluation of non-current assets	597,297	167,276	480,722	134,142
- write-down of current liabilities	39,176	8,881	66,796	11,131
- valuation of personnel provisions	3,806	914	8,437	2,095
- write-down of provisions for risks and charges	3,487	973	--	--
- revaluation of financial instruments	23	5	996	239
Total deferred tax liabilities	654,811	180,744	566,198	149,833
Net deferred taxes		(92,365)		(58,098)

The item includes "deferred tax assets" for € 7,611 thousand and "deferred tax liabilities" for € 31,251 thousand relating to provisional recognition of the fair value of the assets and liabilities of the ITEDI group.

Deferred tax assets have been recognised, at operational sub-group level, with reference to their recoverability based on the related business plans. Prior-year losses not used in the calculation of deferred taxes relate to CIR International for approximately € 419.4 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 31.12.2016	Use of deferred taxes from prior periods	Deferred taxes generated in the period	Exchange rate differences and other changes	Balance at 30.06.2017
Deferred tax assets:					
- income statement	72,264	(9,725)	1,248	7,611	71,398
- equity	19,471	(1,605)	--	(885)	16,981
Deferred tax liabilities:					
- income statement	(123,713)	972	(18,903)	(13,724)	(155,368)
- equity	(26,120)	208	(454)	990	(25,376)
Net deferred taxes	(58,098)				(92,243)

8. Current assets

8.a. Inventories

Inventories can be broken down as follows:

<i>(in thousands of euro)</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
Raw materials, supplies and consumables	78,444	71,729
Work in progress and semi-finished products	16,962	15,867
Finished products and goods	49,646	49,810
Payments on account	--	--
Total	145,052	137,406

This item includes an amount of € 4,399 thousand relating to provisional recognition of the fair value of the assets belonging to the ITEDI group.

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

8.b. Trade receivables

<i>(in thousands of euro)</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
Receivables - customers	461,529	412,704
Receivables - associates	1,168	1,542
Total	462,697	414,246

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

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

During the first half of 2017, accruals were made to the provision for the write-down of receivables for a total of € 1,681 thousand (€ 2,064 during the first half of 2016).

"Receivables - customers" include an amount of € 17,426 thousand relating to provisional recognition of the fair value of the assets of the ITEDI group; the increase in this item compared with 31 December 2016 is attributable to the Sogefi group due to higher turnover in the first half of 2017 compared with the end of the previous year.

"Receivables - associates" refer to receivables from companies consolidated using the equity method in the GEDI group.

8.c. Other receivables

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Receivables - associates	105	105
Tax receivables	49,930	46,844
Other receivables	58,552	45,914
Total	108,587	92,863

"Tax receivables" include an amount of € 661 thousand relating to provisional recognition of the fair value of the assets of the ITEDI group.

"Other receivables" include an amount of € 7,371 thousand relating to provisional recognition of the fair value of the assets of the ITEDI group, mainly consisting of advances to suppliers and agents of € 4,164 thousand.

8.d. Financial receivables

"Financial receivables" went from € 30,183 thousand at 31 December 2016 to € 19,211 thousand at 30 June 2017. This item includes € 8,451 thousand which relates to the fair value measurement of the Cross-Currency Swap contracts designated as hedge accounting, 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 € 10,199 thousand of receivables due to the KOS group by factoring companies for non-recourse assignments.

This item also includes an amount of € 50 thousand relating to provisional recognition of the fair value of the assets belonging to the ITEDI group.

8.e. Securities

This item consists of the following categories of securities:

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Investment funds and similar funds	44,708	42,874
Bonds	4,888	6,401
Certificates of deposit and other securities	15,238	16,882
Total	64,834	66,157

The fair value measurement of "Securities" led to a positive adjustment to the income statement of € 1,431 thousand.

8.f. financial assets Available-for-sale

This item totals € 232,571 thousand and refers for € 38,231 thousand 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 total value adjustment of € 7,918 thousand (€ 9,042 thousand at 31 December 2016). The effect of this measurement on COFIDE's equity for its share came to € 4,366 thousand. During the period,

gains for € 2,638 thousand (losses of € 13 thousand in 2016) were realized and booked to item 14.c. "Gains from trading securities".

This item also includes € 194,340 thousand 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 was € 1,370 thousand. The fair value measurement of policies with yields deriving from unit-linked funds has resulted in total positive adjustment from fair value of € 354 thousand, net of tax effect. The effect of this measurement on Cofide's equity for its share came to € 195 thousand.

8.g. Cash and cash equivalents

They fell from € 333,263 thousand at 31 December 2016 to € 300,339 thousand at 30 June 2017.

This item includes an amount of € 8,965 thousand relating to provisional recognition of the fair value of the assets belonging to the ITEDI group.

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

8.h. Assets and liabilities held for sale

The "assets held for sale" of € 3,418 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 over the next twelve months.

9. Equity

9.a. Share capital

The share capital at 30 June 2017 amounts to € 359,604,959.00, the same as at 31 December 2016, and is made up of 719,209,918 shares with a nominal value of € 0.50 each.

The share capital is fully subscribed and paid up.

On 16 February 2017, COFIDE began implementing a plan to purchase its own shares, as authorised by the Shareholders' Meeting of 29 April 2016.

At 30 June 2017 the Company held 12,339,622 treasury shares (1.72% of the share capital) for a value of € 7,349 thousand.

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

9.b. Reserves

The changes in "Reserves" are as follows:

<i>(in thousands of euro)</i>	<i>Share premium reserve</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translation reserve</i>	<i>Reserve for treasury shares</i>	<i>Other reserves</i>	<i>Total reserves</i>
Balance at 31 December 2015	5,044	22,644	15,634	(4,176)	--	71,425	110,571
Retained earnings	--	--	--	--	--	--	--
Fair value measurement of hedging instruments	--	--	486	--	--	--	486
Fair value measurement of securities	--	--	(274)	--	--	--	(274)
Securities fair value reserve released to income statement	--	--	(314)	--	--	--	(314)
Effects of equity changes in subsidiaries	--	--	301	(9)	--	(12,458)	(12,166)
Currency translation differences	--	--	--	751	--	--	751
Actuarial gains (losses)	--	--	--	--	--	(4,013)	(4,013)
Balance at 31 December 2016	5,044	22,644	15,833	(3,434)	--	54,954	95,041
Retained earnings	--	940	--	--	--	--	940
Adjustment for treasury share transactions	--	--	--	--	6,170	(7,349)-	(1,179)
Fair value measurement of hedging instruments	--	--	620	--	--	--	620
Fair value measurement of securities	--	--	(2,032)	--	--	--	(2,032)
Securities fair value reserve released to income statement	--	--	(439)	--	--	--	(439)
Effects of equity changes in subsidiaries	--	--	127	15	--	(15,618)	(15,476)
Currency translation differences	--	--	--	(4,987)	--	--	(4,987)
Actuarial gains (losses)	--	--	--	--	--	739	739
Balance at 30 June 2017	5,044	23,584	14,109	(8,406)	6,170	32,726	73,227

The "Fair value reserve", net of tax, was positive for € 14,109 thousand and referred (in positive) to the measurement of "Securities" in item 7.g. for € 11,348 thousand and to the measurement of "financial assets available-for-sale" in item 8.f. for € 4,561 thousand, and in negative to the measurement of hedges for € 1,800 thousand.

The "Translation reserve" had a negative balance of € 8,406 thousand at 30 June 2017 with the following breakdown:

<i>(in thousands of euro)</i>	<i>31.12.2016</i>	<i>Increases</i>	<i>Decreases</i>	<i>30.06.2017</i>
Sogefi group	(9,538)	--	(3,451)	(12,989)
Kos group	125	--	(14)	111
CIR International	6,055	--	(1,506)	4,549
Other	(76)	--	(1)	(77)
Total	(3,434)	--	(4,972)	(8,406)

"Other reserves" are made up as follows:

Merger surplus	43
Reserve for the difference between the carrying values of investee companies and the respective portions of consolidated equity	32,683
Total	32,726

9.c. Retained earnings (carried forward)

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

10. Non-current liabilities

10.a. Bonds

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

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
GEDI Gruppo Editoriale S.p.A. 2.625% 2014/2019 Convertible Bond	85,698	83,526
Sogefi S.p.A. Bond 2013/2023 in USD	71,717	93,228
Sogefi S.p.A. Bond 2013/2020	24,960	24,953
Sogefi S.p.A. 2% 2014/2021 Convertible Bond	83,826	82,035
Total	266,201	283,742

In application of IAS 32 and 39, the original values of bond issues were written down to take into account expenses incurred and issue discounts.

10.b. Other borrowings

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Collateralised bank loans	39,869	35,317
Other bank loans	211,951	172,594
Leases	91,522	94,368
Other payables	1,671	9,536
Total	345,013	311,815

This item refers to loans to Sogefi group companies for € 101,846 thousand, loans to KOS group companies for € 192,090 thousand, loans to companies of the GEDI group for € 8,066 thousand, relating to provisional recognition of the fair value of the liabilities of the ITEDI group, and a loan granted to the Parent Company Cofide S.p.A. for € 43,011 thousand.

10.c. Personnel provisions

The details of this item are as follows:

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Post-employment benefits (TFR)	81,247	70,539
Pension funds and similar obligations	58,939	60,519
Total	140,186	131,058

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Opening balance	131,058	124,622
Provision for labour provided during the period	11,451	21,477
Increases for interest	437	2,643
Actuarial gains or losses	(2,844)	13,413
Benefits paid	(4,710)	(10,167)
Increases or decreases due to changes in the scope of consolidation	13,972	(2,212)
Other changes	(9,178)	(18,718)
Closing balance	140,186	131,058

The "Post-employment benefits (TFR)" includes an amount of € 12,012 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

"Pension funds and similar obligations" include an amount of € 1,960 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

10.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 other risks</i>	<i>Total</i>
Balance at 31 December 2016	15,128	2,106	66,443	83,677
Provisions made during the period	1,085	927	1,746	3,758
Uses	(616)	(768)	(3,640)	(5,024)
Exchange rate gains (losses)	--	--	(73)	(73)
Other changes	27	(5)	(235)	(213)
Balance at 30 June 2017	15,624	2,260	64,241	82,125

The provision for other risks includes the provision for product warranties of € 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 & Refroidissement France S.A.S. (formerly Systèmes Moteurs S.A.S., "SM"), before and after its acquisition by Dayco Europe S.r.l. (which took place in 2011). In the company's opinion, the defect was caused by a thermostat at the base of the component, made by a supplier of SM; in 2012 the Company 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 Europe S.r.l..

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.

With specific reference to the extent of the damages, the customers recently reduced their total claims from € 188.5 million to € 165.4 million, broken down as follows:

- € 112.4 million for past and future campaigns (previously € 111.3 million);
- € 31.5 million for interest and other costs (previously € 11.3 million);
- € 21.5 million for reputational damage and loss of earnings (previously € 65.9 million).

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 above, the claim considered by the subsidiary amounts to € 132.9 million (previously € 122.6 million) without this having any impact on the provisions made by the company.

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 Europe S.r.l. 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 Europe S.r.l. in favour of Sogefi for a claim relating to production prior to the acquisition of SM by Sogefi, condemning Dayco Europe S.r.l. 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 Europe S.r.l. 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 Company 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 company, supported by its legal counsel, thinks it 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 when the judgement on the issue will be issued, i.e. under later settlement agreements.

In addition, at the end of 2016, the subsidiary had a provision for product warranties, less the € 21 million already paid, totalling € 16.3 million. This amount has been reviewed, taking into consideration developments in the dispute during the first half of 2017: the subsidiary, supported by its legal counsel, considered that the provision was conservative. The subsidiary prudently kept this provision unchanged.

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 consolidated financial statements an indemnification

asset

of € 23.4 million, having received from the seller, Dayco Europe S.r.l., contractual guarantees relating to defective products outstanding at the date of acquisition, including the one described above.

Based on the outcome of the arbitration, the company has reduced its expected recoveries from Dayco Europe S.r.l. 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 writedown and the proceeds from the award, comes to € 9.7 million at 30 June 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 Europe S.r.l.. Sogefi has challenged the part of the award that rules that it would have to pay for claims relating to products made after the acquisition; Dayco Europe S.r.l. 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 Europe S.r.l. 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 preparation of the financial statements. They are subject to evolution over time on the basis of events as they materialise.

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 2016	4,695	7,580	60,502	72,777
Provisions made during the period	--	1,032	4,480	5,512
Uses	(1,823)	(1,372)	(4,360)	(7,555)
Exchange rate gains (losses)	--	--	(11)	(11)
Other changes	6,617	9,920	2,103	18,640
Balance at 30 June 2017	9,489	17,160	62,714	89,363

The "Provision for pending disputes " includes an amount of € 5,479 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

The "Provision for restructuring charges" includes an amount of € 9,920 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

The "Provision for other risks" includes an amount of € 1,868 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

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.

11. Current liabilities

11.a. Bonds

This item, totalling € 19,979 thousand, includes € 14,396 thousand representing the current portion of the Sogefi S.p.A. Bond 2013/2023 denominated in USD and € 5,583 thousand representing the current portion of the GEDI Gruppo Editoriale S.p.A. Bond 2014/2019.

11.b. Other loans and borrowings

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Collateralised bank loans	8,315	6,808
Other bank loans	87,231	149,068
Leases	12,348	12,092
Other loans and borrowings	52,086	33,211
Total	159,980	201,179

This item refers to loans to Sogefi group companies for € 53,674 thousand, loans to KOS group companies for € 62,101 thousand and loans to companies of the GEDI group for € 44,205 thousand, of which € 8,747 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

11.c. Trade payables

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
Payables - subsidiaries and joint ventures	9	9
Payables - associates	1,199	2,180
Payables - suppliers	450,891	427,221
Payments on account	3,480	3,944
Total	455,579	433,354

The "Payables - associates" include an amount of € 1,096 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

The "Payables - suppliers" includes an amount of € 16,792 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group; the increase in this item compared with 31 December 2016 is attributable to the Sogefi group due to higher turnover in the first half of 2017 compared with the end of the previous year.

"Payments on account" include an amount of € 46 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

11.d. Other payables

<i>(in thousands of euro)</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
Due to employees	84,647	72,103
Tax payables	47,646	40,834
Social security payables	41,640	47,057
Other payables	41,761	39,703
Total	215,694	199,697

"Due to employees" include an amount of € 3,864 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

"Tax payables" include an amount of € 1,974 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

"Social security payables" include an amount of € 3,527 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

"Other payables" include an amount of € 4,250 thousand relating to provisional recognition of the fair value of the liabilities of the ITEDI group.

NOTES ON THE INCOME STATEMENT

12. Revenue

BREAKDOWN BY BUSINESS SECTOR

<i>(in millions of euro)</i>	<i>1st half 2017</i>		<i>1st half 2016</i>		<i>Change</i>
	<i>amount</i>	<i>%</i>	<i>amount</i>	<i>%</i>	
Media	287.3	20.6	292.9	22.2	(1.9)
Automotive components	866.0	62.2	798.6	60.5	8.4
Healthcare	239.1	17.2	227.6	17.3	5.1
Other	--	--	--	--	--
Total consolidated revenue	1,392.4	100.0	1,319.1	100.0	5.6

BREAKDOWN BY GEOGRAPHICAL AREA

<i>(in millions of euro)</i>							
<i>1st half 2017</i>	<i>Total revenues</i>	<i>Italy</i>	<i>Other European countries</i>	<i>North America</i>	<i>South America</i>	<i>Asia</i>	<i>Other countries</i>
Media	287.3	287.3	--	--	--	--	--
Automotive components	866.0	57.0	460.5	168.4	94.1	81.7	4.3
Healthcare	239.1	231.9	3.1	--	--	4.1	--
Other	--	--	--	--	--	--	--
Total consolidated revenue	1,392.4	576.2	463.6	168.4	94.1	85.8	4.3
Percentages	100.0%	41.4%	33.3%	12.1%	6.7%	6.2%	0.3%

<i>(in millions of euro)</i>							
<i>1st half 2016</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>
Media	292.9	292.9	--	--	--	--	--
Automotive components	798.6	54.1	453.6	150.6	73.8	63.5	3.0
Healthcare	227.6	221.8	3.5	--	--	2.3	--
Other	--	--	--	--	--	--	--
Total consolidated revenue	1,319.1	568.8	457.1	150.6	73.8	65.8	3.0
Percentages	100.0%	43.1%	34.7%	11.4%	5.6%	5.0%	0.2%

The types of products marketed by the Group and the nature of its business sectors 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.

13. Operating costs and income

13.a. Costs for the purchase of goods

Costs for the purchase of goods increased from € 498,046 thousand in the first half of 2016 to € 536,702 thousand in the same period of 2017. The increase is mainly attributable to the Sogefi group.

13.b. Costs for services

This item has gone from € 307,988 thousand in the first half of 2016 to € 326,481 thousand in the first half of 2017, as can be seen from the following breakdown:

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Technical and professional consulting	46,359	46,066
Distribution and transport costs	16,685	18,047
Outsourcing	16,747	18,542
Other expenses	246,690	225,333
Total	326,481	307,988

The increase is mainly attributable to the GEDI group and is mainly due to the acquisition from 1 January 2017 of the nationwide income of the newspapers *La Stampa* and *Il Secolo XIX* and of Radio Italia's advertising concession.

13.c. Personnel costs

Personnel costs amounted to € 362,817 thousand in the first half of 2017 (€ 363,987 thousand in the first half of 2016) and are as follows:

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Salaries and wages	250,610	253,624
Social security contributions	78,930	81,167
Post-employment benefit	9,421	9,649
Pensions and similar benefits	2,030	1,244
Valuation of stock option plans	1,792	2,405
Other costs	20,034	15,898
Total	362,817	363,987

The average number of employees of the Group in the first half of 2017 was 14,414 (14,417 in the first half of 2016).

13.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Grants related to income	71	119
Capital gains on asset disposals	822	49
Miscellaneous gains and other income	12,264	11,812
Total	13,157	11,980

13.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Write-downs and losses on receivables	1,716	2,055
Accruals to provisions for risks and charges	4,432	4,052
Indirect taxes	16,210	16,250
Restructuring charges	4,368	3,233
Losses on asset disposals	529	177
Prior year and other costs	7,206	12,423
Total	34,461	38,190

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

14. Financial income and expense

14.a. Financial income

This item is made up of:

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Interest income on bank accounts	207	440
Interest on securities	408	810
Other interest income	2,466	2,765
Interest rate derivatives	2,051	968
Exchange rate gains	121	951
Other financial income	--	1
Total	5,253	5,935

14.b. Financial expense

This item is made up of:

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Interest expense on bank accounts	5,269	7,002
Interest expense on bonds	10,201	9,979
Other interest expense	3,696	5,413
Interest rate derivatives	3,101	3,050
Exchange rate losses	44	36
Other financial expenses	4,346	5,538
Total	26,657	31,018

14.c. Gains from trading securities

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

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Other securities and other gains	9,104	10,053
Total	9,104	10,053

14.d. Losses from trading securities

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

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Other securities and other losses	33	538
Total	33	538

15. Income taxes

Income taxes can be broken down as follows:

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Current taxes	15,985	13,460
Deferred taxes	8,694	3,955
Prior year taxes	44	(213)
Total	24,723	17,202

16. Earnings per share

Basic earnings per share is calculated by dividing net income 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 net income for the period attributable to the ordinary shareholders by

the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effect of outstanding options. Treasury shares are not included in the calculation. The company does not have any outstanding options or treasury shares, so diluted EPS per share is the same as basic EPS.

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

<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Net income attributable to the shareholders (in thousands of euro)	14,629	17,543
Weighted average number of ordinary shares in circulation	713,628,316	719,209,918
Basic earnings per share (euro)	0.0205	0.0244
<i>(in thousands of euro)</i>	<i>1st half 2017</i>	<i>1st half 2016</i>
Net income from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	8,436	6,330
Weighted average number of ordinary shares in circulation	713,628,316	719,209,918
Total diluted earnings (loss) per share (euro)	0.0118	0.0088

17. Dividends paid

Dividend payments during the first half of 2017 amounted to € 10,069 thousand, being € 0.014 per share.

18. Financial risk management: additional disclosures

The COFIDE 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.

18.a. Market risk

Foreign currency risk

As the Group operates internationally, with 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 exchange rate risk associated with translation of 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 revenues, are active both in their own domestic markets and abroad and, if necessary, can arrange funding locally.

18.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 sector 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 receivables 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 receivables is lower than in the case of management of residential care homes, whose revenues derive more than 50% from the number of guests in the structure and whose receivables recorded in the financial statements from public entities (mainly local health authorities and municipalities) are due from a plurality of subjects. The concentration of receivables 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 revenues derive from a single subject.

The monitoring of credit risk versus customers includes grouping receivables together by type, age, whether the company is in financial difficulty or is involved in disputes and the existence of legal or insolvency proceedings.

Since 2006 the COFIDE Group has been acquiring and managing non-performing loans and has put in place procedures for measuring and establishing the fair value of its portfolios.

18.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 sectors 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 COFIDE Group follows an extremely prudent financial policy using mainly medium/long-term funding structures. Treasury management is centralised for each of the operating groups.

18.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 Company and the subsidiaries have entered into various IRS contracts and other types of derivatives over the years in order to hedge interest rate risk on their bond issues and bank loans and borrowings.

18.e. Derivatives

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as follows:

- 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 adjustment to fair value 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 the change in fair value or in the cash flows of the instrument being hedged is "almost entirely" offset by the change in fair value or cash flows of the hedging instrument, and when the results achieved are in a range of 80%-125%.

18.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 activity.

18.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 2017 all the contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

Below is a summary of the main covenant relating to the borrowings of the operating sub-holding companies outstanding at period end.

▪ 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 debt outstanding at 30 June 2017 are described below:

- loan of € 50,000 thousand - Unicredit S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit of less than or equal to 3.5; ratio of consolidated normalised gross operating profit to consolidated net financial expenses of 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 of less than or equal to 3.5; ratio of consolidated normalised gross operating profit to consolidated net financial expenses of not less than 4;
- loan of € 20,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit of less than or equal to 3.5; ratio of consolidated normalised gross operating profit to consolidated net financial expenses of not less than 4;
- loan of € 30,000 thousand - Société Générale S.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit of less than or equal to 3.5; ratio of consolidated normalised gross operating profit to consolidated net financial expenses of not less than 4;
- loan of € 30,000 thousand - Ing Bank N.V.: ratio of consolidated net financial position to consolidated normalised gross operating profit of less than or equal to 3.5; ratio of consolidated normalised gross operating profit to consolidated net financial expenses of not less than 4;
- bond of USD 115,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit of less than or equal to 3.5; ratio of consolidated normalised gross operating profit to consolidated net financial expenses of not less than 4;
- bond of € 25,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit of less than or equal to 3.5; ratio of consolidated normalised gross operating profit to consolidated net financial expenses of not less than 4.

At 30 June 2017, these covenants were all respected.

▪ KOS group

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

- a line of credit obtained by the parent company KOS: ratio of consolidated net financial position to consolidated gross operating profit of less than 3.5 and ratio of gross operating profit and financial expense of more than 3.5;
- loan obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to gross operating profit of less than 4;
- loan obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to gross operating profit of less than 3.75;

- loan obtained by Residenze Anni Azzurri S.r.l.: ratio of net financial position to gross operating profit of less than 3.75;
- loan obtained by Clearmedi Ltd: Tangible Net Worth greater than INR 110 million, Turnover greater than INR 320 million and Gearing of less than 11;
- loan obtained by Clearmedi Ltd: Tangible Net Worth greater than INR 100 million and Gearing lower than 7.5.

At 30 June 2017, 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.

18.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.

No transfers were made between the different levels of the fair value hierarchy during the first half of 2017. As far as the financial assets classified as Level 3 are concerned, these are venture capital investments which are measured using some inputs that are not observable on the market. These investments are held by the Group through CIR International S.A. for investments in companies operating in the information technology and communication (ITC) sector (for a total of € 707 thousand).

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

	FINANCIAL ASSETS (Level 3)			
	<i>Held for trading</i>	<i>Measured at fair value</i>	<i>Available for sale</i>	<i>Hedges</i>
Opening balance at 1 January 2017	--	--	707	--
Increases				
- Purchases	--	--	--	--
- Gains recognised to:				
Income statement (1)	--	--	--	--
- of which gains	--	--	--	--
Shareholders' equity (2)	--	--	--	--
Transferred from other levels	--	--	--	--
Other increases	--	--		--
Decreases				
- Sales	--	--	--	--
- Repayments	--	--	--	
- Losses recognised to:				
Income statement (3)	--	--	--	--
- of which losses	--	--	--	--
Shareholders' equity (4)	--	--	--	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	--	--
Closing position	--	--	707	--

(1-3) 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 trading securities
- Item 14.e.: Adjustments to the value of financial assets

(2-4) The gains and losses related to changes in fair value are recognised under item 9.b. "Reserves - Fair value reserves" - with the exception of impairment losses which are recognised under item 14.e. "Adjustments to the value of financial assets" until the asset is transferred, at which time the cumulative increases and decreases recorded in the valuation reserves are recognised as gains or losses in items 14.c. "Gains from trading securities" and 14.d. "Losses from trading securities".

19. Guarantees and commitments

At 30 June 2017 the position of guarantees and commitments was the following:

▪ COFIDE

CIR shares for a total carrying amount of € 335,278 thousand have been pledged to the bank as collateral for the loan.

▪ CIR and financial holding companies

Commitments for private equity fund investments by CIR International for € 3.7 million;

▪ GEDi group

At 30 June 2017 the group had outstanding commitments of € 25,385 thousand in relation to:

- contracts for the purchase of plants and other printing equipment for € 307 thousand;
- guarantees given by the Parent Company to the companies involved in the Group VAT return for € 21,093 thousand;
- other guarantees for € 3,985 thousand, which mainly relate to guarantees in favour of the Parent Company and the subsidiaries Elemedia and Finegil Editoriale, Nord-Est and Nuova Sardegna divisions.

▪ 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 start of the lease, the present value of the minimum lease payments is lower than the fair value of the leased asset.

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 2017 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 2017 the residual instalments amount to € 27,366 thousand, of which € 1,506 thousand due within one year. Against this contract, the company has gave a bank guarantee for € 1,912 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 2017 the residual instalments

amount to € 13,183 thousand, of which € 778 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 2021. At 30 June 2017 the remaining instalments amount to € 2,899 thousand, of which € 778 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Sogefi PC Suspensions Germany GmbH for the lease of the production site located in Volklingen. The contract expires in September 2020. The residual instalments at 30 June 2017 amount to € 1,249 thousand, of which € 384 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 2017 the residual instalments amount to € 3,978 thousand, of which € 1,055 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 2017 the residual instalments amount to € 22,999 thousand, of which € 1,441 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 2017 there are binding commitments for investments relating to the purchase of tangible assets of € 2,675 thousand.

Guarantees given

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
Guarantees given to third parties	7,367	7,373
Other unsecured guarantees given to third parties	2,273	-2,463
Secured guarantees given for borrowings shown in the financial statements	4,161	7,433

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 LPDN 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., Allevard IAI Suspensions Private Ltd, Sogefi-MNR Engine Systems India Pvt Ltd and Sogefi Filtration do Brasil Ltda 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 2017 the Sogefi Group held assets belonging to third parties on its premises for € 14,120 thousand.

▪ KOS group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. for a total of € 5,471 thousand:

- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of Santegidio S.r.l. (Scarnafigi), for € 100 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo property lease, for € 75 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo business unit lease, for € 35 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dormelletto property lease, for € 200 thousand;
- an omnibus guarantee on behalf of Medipass S.r.l. in its relations with the Venice Health Authority, for € 700 thousand;
- a guarantee on behalf of Immobiliare Durini for the rental of offices in Via Durini, for € 46 thousand;
- a guarantee on behalf of Istituto di Riabilitazione S. Stefano for the lease of Villa Rosa for € 314 thousand;
- a guarantee on behalf of Istituto di Riabilitazione S. Stefano for the lease of the building in Ancona for € 309 thousand;
- a guarantee on behalf of Residenze Anni Azzurri for the lease of the building in San Faustino for € 1,226 thousand;
- a guarantee on behalf of Residenze Anni Azzurri for the lease of the building in San Faustino 27 for € 2,241 thousand.
- Bank guarantees given by other Group companies for € 11,628 thousand, with the following breakdown:
 - a guarantee given by Residenze Anni Azzurri S.r.l. to guarantee care home lease payments, for € 10,357 thousand;
 - a guarantee given by companies of the Istituto di Riabilitazione S. Stefano group for € 1,271 thousand;

At 30 June 2017, other commitments and risks amounted to € 6,131 thousand, mainly related to:

- assets on free loan for € 2,458 thousand;
- guarantees issued by Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand;
- contractual commitments for technology upgrades to equipment, where necessary, for approximately € 1,474 thousand. Given the current status of the contracts, there is no reason to consider this commitment probable;

- third-party commitments to sell for € 345 thousand;
- contractual commitments of around € 901 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 45 care homes for the elderly in operation at 30 June 2017, 11 are owned, as well as 13 of the 32 functional and psychiatric rehabilitation facilities are owned (including two residential care homes for the elderly). The other facilities (day hospitals, psychiatric treatment communities, diagnostics departments) are generally leased.

20. Information on the business sector

The business sectors coincide with the Groups of companies that Cofide S.p.A. controls through CIR. In detail:

- the GEDI group: media;
- the Sogefi group: automotive components;
- the KOS group: healthcare.

From a geographical point of view, with the exception of the Sogefi group, business is conducted almost exclusively in Italy.

Financial and balance sheet information by business segment is provided in the Following table, whereas details of revenue by geographical area (secondary sector) can be found in Note 12.

CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)

	CONSOLIDATED	30.06.2017							31.12.2016	
		Non-current assets	Other net non-current assets and liabilities	Net working capital	Net financial position (continuing operations)	Total equity	of which:	Minority interests	Group equity	Group equity
AGGREGATE		(1)	(2)	(3)	(4)					
GEDI Group		826.8	(204.4)	40.2	26.4	689.0		517.1	171.9	184.7
Sogefi Group		529.0	(60.9)	15.3	(280.4)	203.0		144.3	58.7	53.9
KOS Group		566.3	(24.1)	(35.4)	(231.6)	275.2		186.7	88.5	88.0
Other subsidiaries		--	3.8	(5.2)	2.2	0.8		0.4	0.4	0.4
Total subsidiaries		1,922.1	(285.6)	14.9	(483.4)	1,168.0		848.5	319.5	327.0
CIR and financial holding companies		19.2	101.9	(14.3)	320.4	427.2		191.6	235.6	248.0
Cofide										
Fixed assets		1.3				1.3			1.3	1.2
Other net non-current assets and liabilities			14.1			14.1			14.1	12.9
Net working capital				(1.9)		(1.9)			(1.9)	(2.4)
Net financial position					(29.5)	(29.5)			(29.5)	(23.3)
Consolidated total for the Group		1,942.6	(169.6)	(1.3)	(192.5)	1,579.2		1,040.1	539.1	563.4

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

21. Joint ventures

The Group does not hold equity investments in joint ventures at 30 June 2017.

22. Net financial position

The net financial position is analysed as follows:

<i>(in thousands of euro)</i>	30.06.2017	31.12.2016
A. Cash and bank deposits	300,339	333,263
B. Other cash equivalents	232,571	234,012
C. Securities held for trading	64,834	66,157
D. Cash and cash equivalents (A)+(B)+(C)	597,744	633,432
E. Current financial receivables	19,211	30,183
F. Current bank payables	(*) (113,819)	(168,647)
G. Bonds	(19,979)	(20,980)
H. Current portion of non-current debt	(64,434)	(45,303)
I. Other current borrowings	--	--
J. Current financial debt (F)+(G)+(H)+(I)	(198,232)	(234,930)
K. Current net financial position (J)+(E)+(D)	418,723	428,685
L. Non-current bank borrowings	(251,820)	(207,911)
M. Bonds issued	(266,201)	(283,742)
N. Other non-current payables	(93,193)	(103,904)
O. Non-current financial debt (L)+(M)+(N)	(611,214)	(595,557)
P. Net financial position (K)+(O)	(192,491)	(166,872)

(*) 95,546 thousand (€ 113,819 - € 18,273) is classified in the Statement of Financial Position under "Other borrowings".

(**) Classified under "Other borrowings" – Non-current liabilities.

23. Disputes

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

In particular as regards the GEDI group, the Rome Regional Tax Commission filed its judgement no. 64/9/12 on 18 May 2012, on its resumption, with regard to the investigations into 1991 IRPEG and ILOR; 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 GEDI Gruppo Editoriale S.p.A. 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 Group has made provisions since 2008, considering that, according to the evolution of the related jurisprudence, the additional taxes assessed and related interest charged were to be considered a "probable risk" (the provisions did not only involve 1991, but also the next three tax years, for which the Tax Authorities challenged the same types of benefits), unlike the penalties for which the risk was considered "possible".

On the first matter, which only concerns 1991, the risk was considered "remote", in light of the technical evaluation of items in dispute and the outcome of the various levels of justice. Bear in mind that:

- the facts were first being evaluated by the criminal court for alleged tax fraud and the proceedings were concluded with a judgement of nonsuit by the GUP (the magistrate who presides over the preliminary hearing). This was definitively confirmed by the Court of Appeal on 9 December 1999, fully acquitting all of the directors and statutory auditors;
- the tax assessments of first and second instance were both favourable to the Group, in 1998 and 2000 respectively; subsequently, in 2007 the Supreme Court cancelled the judgement of second instance, referring it to the Regional Tax Commission, though it only decided on procedural matters without affecting the merits of the case in any way.

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 30 June 2017, this judgement indicates a maximum amount at risk of € 380.7 million (of which additional taxes assessed of € 121.4 million, interest of € 137.9 million and penalties of € 121.4 million): this value comes from the fact that the Tax Authorities did not just deny the tax benefits (deemed not due) based on the higher values recorded on allocation of the "cancellation deficit" as part of the merger process, but - unexpectedly - demanded the immediate and full liability to taxation of this deficit as being devoid of any income value, treating it as though it were a capital gain that had been "realized".

On 27 June 2012 the Company filed an appeal against the judgement of second degree with the Supreme Court and on 28 June 2012 it applied to the Rome Regional Tax Commission for a suspension of the effects of the judgement pursuant to article 373 of the Italian Code of Civil

Procedure; the application has been accepted by the Rome Regional Tax Commission by order filed on 19 July 2012.

Being well aware of the fiscal and statutory legitimacy of the transactions being challenged by the Tax Authorities, also on the basis of technical evaluations obtained from independent professionals, the Group has confirmed its assessment as "probable" of the degree of risk involved in the treatment of beneficial interests in shares (even though successful on this point before the Regional Tax Commission). As a result of the recent and established positions of the Supreme Court, the same level of risk was extended to the penalties, while the risk in relation to corporate restructuring operations, where the Group has been unsuccessful, is considered to be merely "possible".

In this regard, it should be noted that, during 2015, Legislative Decree 128 was issued, which, in addition to having repealed the previous anti-avoidance rule, made changes to the taxpayer's statute (Law 212/2000) providing greater clarity to the tax system by introducing a single definition of abuse of rights and tax avoidance.

For matters relating to the beneficial interests in shares, up to 31 December 2016 the Group had set aside an amount of € 35.5 million (to cover the risks related to the amortisation of the cost incurred for the purchase of the beneficial interest, the tax credit on the dividends, the withholding taxes incurred, the related accrued interest and penalties), with reference to all tax periods assessed. At 30 June 2017, in part following the recognition of € 173 thousand to take account of accrued interest, the related provision totals € 35,633 thousand.

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

In January 2014 Sogefi S.p.A. received two notices of assessment from the tax authorities relating to the 2009 tax period that disallowed the tax deductibility for IRES purposes and the related deductibility for VAT purposes of the cost of services provided by CIR S.p.A. in 2009, amounting to € 1.8 million.

Note that those assessments have already been discussed by the Provincial Tax Commission and the Regional Tax Commission with a favourable outcome for the Company.

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 Euro 0.6 million of VAT paid on goods and services, ii) undue deduction for IRES purposes (and related non-deductible VAT of Euro 0.2 million) in costs for services rendered by the parent company CIR S.p.A. (the same findings for 2009) for a total taxable amount of Euro 1.3 million. The notices have already been appealed before the Provincial Tax Commission, which issued a ruling that was favourable to the Company.

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 2017.

24. Disclosures regarding share-based incentive plans

24.a. Incentive plans for employees at 30 June 2017 (CIR)

The following chart shows the incentive plans of the subsidiary CIR S.p.A.:

CIR - STOCK OPTION PLANS AT 30 JUNE 2017

	Options in circulation at start of period		Options granted 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	Average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock Option Plan 2006 - 2nd tranche	2,175,000	2.47	-	-	-	-	-	-	-	-	-
Extraordinary Stock Option Plan 1st tranche	3,050,000	3.0877	-	-	-	-	3,050,000	3.0877	0.25	3,050,000	3.0877
Extraordinary Stock Option Plan 2nd tranche	3,050,000	2.7344	-	-	-	-	3,050,000	2.7344	0.75	3,050,000	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,110,000	1.6806	-	-	-	-	3,110,000	1.6806	1.25	3,110,000	1.6806
Extraordinary Stock Option Plan 4th tranche	2,203,500	1.0718	-	-	-	-	2,203,500	1.0718	1.75	2,203,500	1.0718
1st tranche 2009	1,947,800	0.9907	-	-	-	-	1,947,800	0.9907	2.25	1,947,800	0.9907
2nd tranche 2009	3,136,000	1.5449	-	-	-	-	3,136,000	1.5449	2.67	3,136,000	1.5449
1st tranche 2010	3,206,000	1.6208	-	-	-	-	3,206,000	1.6208	3.25	3,206,000	1.6208
2nd tranche 2010	3,128,000	1.4982	-	-	-	-	3,128,000	1.4982	3.67	3,128,000	1.4982
Total	25,006,300	1.8945	-	-	-	-	22,831,300	1.8397	1.99	22,831,300	1.8397

CIR - STOCK GRANT PLANS AT 30 JUNE 2017

	Financial instruments in circulation at start of period		Financial instruments granted during the period		Financial instruments exercised during the period		Financial instruments in circulation at end of period			Financial instruments exercisable at end of period	
	No. of Units	Initial value	No. of Units	Initial value	No. of Units	Weighted average strike price	No. of Units	Initial value	Average duration (years)	No. of Units	Initial value
Stock Grant Plan 2011	161,871	1.6391	-	-	161,871	1.6391	-	-	-	-	-
Stock Grant Plan 2012	845,875	1.0263	-	-	845,875	1.0263	-	-	-	-	-
Stock Grant Plan 2013	3,022,453	0.8003	-	-	-	-	-	-	-	-	-
Stock Grant Plan 2014	1,761,574	1.1300	-	-	-	-	1,761,574	1.1300	7.01	-	-
Stock Grant Plan 2015	1,680,000	1.0916	2,966	1.0916	97,500	1.0916	1,585,466	1.0916	7.83	115,466	1.0916
Stock Grant Plans 2015 reserved to the General Manager	1,000,000	1.0940	-	-	-	-	1,000,000	1.0940	7.83	250,000	1.0940
Stock Grant Plan 2016	1,750,000	1.0587	-	-	-	-	1,750,000	1.0587	8.84	-	-
Stock Grant Plan 2017	-	-	1,555,600	1.4359	-	-	1,555,600	1.4359	9.83	-	-
Total	10,221,773	1.0100	1,558,566	1.4352	1,105,246	1.1218	7,652,640	1.1632	8.28	365,466	1.0932

24.b. Incentive plans for employees at 30 June 2017 (GEDI group)

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



GEDI GRUPPO EDITORIALE - STOCK OPTIONS PLANS AT 30 JUNE 2017

	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
Stock option plan 2006 - 2nd tranche	625,000	3.96	--	--	625,000	3.96	--	--	--	--	--	--	--
Extraordinary stock option plan 2009 - 1st tranche	942,500	3.84	--	--	15,000	3.84	--	--	927,500	3.84	0.25	927,500	3.84
Extraordinary stock option plan 2009 - 2nd tranche	942,500	3.60	--	--	15,000	3.60	--	--	927,500	3.60	0.75	927,500	3.60
Extraordinary stock option plan 2009 - 3rd tranche	1,077,500	2.22	--	--	15,000	2.22	--	--	1,062,500	2.22	1.25	1,062,500	2.22
Extraordinary stock option plan 2009 - 4th tranche	603,200	1.37	--	--	5,100	1.37	--	--	598,100	1.37	1.75	598,100	1.37
Ordinary stock option plan 2009 - 1st tranche	338,850	1.00	--	--	--	--	--	--	338,850	1.00	2.25	338,850	1.00
Ordinary stock option plan 2009 - 2nd tranche	1,631,000	1.86	--	--	22,500	1.86	--	--	1,608,500	1.86	2.75	1,608,500	1.86
Ordinary stock option plan 2010 - 1st tranche	1,777,500	2.25	--	--	25,000	2.25	--	--	1,752,500	2.25	3.25	1,752,500	2.25
Ordinary stock option plan 2010 - 2nd tranche	1,611,900	1.58	--	--	25,000	1.58	--	--	1,586,900	1.58	3.75	1,586,900	1.58
Total	9,549,950	2.37			747,600	3.70			8,802,350	2.26	2.29	8,802,350	2.26

GEDI GRUPPO EDITORIALE - STOCK GRANT PLANS AT 30 JUNE 2017

	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	150,473	1.81	--	--	--	--	3,750	1.81	146,723	1.81	146,723	1.81

2012												
Time-based units	348,906	0.98	--	--	--	--	8,125	0.98	340,781	0.98	340,781	0.98
Performance-based units	142,052	0.98	--	--	--	--	3,125	0.98	138,927	0.98	138,927	0.98

2013												
Time-based units	364,059	0.83	--	--	--	--	92,804	0.83	271,255	0.83	271,255	0.83
Performance-based units	386,560	0.83	--	--	172,465	0.83	27,190	0.83	186,905	0.83	178,779	0.83

2014												
Time-based units	479,375	1.70	--	--	--	--	90,003	1.70	389,372	1.70	198,147	1.70
Performance-based units	551,252	1.70	--	--	--	--	--	--	551,252	1.70	--	--

2015												
Time-based units	545,000	1.24	--	--	--	--	13,126	1.24	531,874	1.24	55,005	1.24
Performance-based units	545,000	1.24	--	--	--	--	--	--	545,000	1.24	--	--

2016												
Time-based units	555,000	0.95	--	--	--	--	--	--	555,000	0.95	--	--
Performance-based units	555,000	0.95	--	--	--	--	--	--	555,000	0.95	--	--

24.c. Incentive plans for employees at 30 June 2017 (Sogefi group)

The following table shows the total number of options outstanding with respect to the stock grant plans for the period 2011-2017:

	30.06.2017	31.12.2016
Not exercised/not exercisable at the start of the year	1,286,966	1,877,871
Granted in the year	287,144	500,095
Cancelled in the year	(244,937)	(717,307)
Exercised during the year	(114,702)	(373,693)
Not exercised/not exercisable at the end of the year	1,214,471	1,286,966
Exercisable at the end of the year	62,304	149,724

The following table shows the total number of options outstanding and refers to the plans of the period 2007-2010 with their average strike price:

	30 June 2017	
	No. of options	Average strike price
Not exercised/not exercisable at the start of the year	2,254,737	2.77
Granted in the period	--	--
Cancelled in the period	(1,073,200)	2.66
Exercised in the period	(438,537)	2.05
Expired during the period	--	--
Not exercised/not exercisable at the end of the period	743,000	3.35
Exercisable at the end of the period	743,000	3.35

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.

The following table gives a breakdown of the number of phantom stock options at 30 June 2017:

	30 June 2017
Not exercised/not exercisable at the start of the year	840,000
Granted in the period	--
Cancelled in the period	(840,000)
Exercised in the period	--
Not exercised/not exercisable at the end of the period	--
Exercisable at the end of the period	--

24.d. Incentive plans for employees at 30 June 2017 (KOS group)

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

KOS - STOCK OPTION PLANS AT 30 JUNE 2017

	<i>Options in circulation at start of period</i>		<i>Options granted during the period</i>		<i>Options exercised during the period</i>		<i>Options expired during the period</i>		<i>Options in circulation at end of period</i>			<i>Options exercisable at end of period</i>		<i>Expiry date</i>	
	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>Number</i>	<i>Weighted average strike price</i>	<i>Average duration (years)</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>Vesting date</i>	<i>Expiry date</i>
Stock Option Plan '10 rev	1,661,083	3.52	--	--	--	--	--	--	1,661,083	3.52	15.89	1,661,083	3.75	31/12/2014	17/05/2033
Stock Option Plan 16	1,500,000	7.08	--	--	--	--	--	--	1,500,000	7.08	15.89	--	--	17/05/2023	17/05/2033
Total	3,161,083	5.21	--	--	--	--	--	--	3,161,083	5.21	15.89	1,661,083	3.75		

25. Subsequent events

Regarding subsequent events, please refer to the specific paragraph of the interim report on operations. Note that the interim report, of which the interim financial statements at 30 June 2017 is an integral part, was approved by the Board of Directors on 28 July 2017.

26. Significant non-recurring events and atypical and/or unusual transactions

No non-recurring items have been included in the operating result for the period.
Nor have any atypical and/or unusual transactions taken place.

27. Related party transactions

Information regarding the impact that related party transactions have on the financial and equity situation and on the result for the period are provided in the comment on the individual items of the financial statements. The section "Other information" in the interim report on operations shows the various types of transactions with related parties, whereas the amounts involved are shown in the notes.

The following table gives a summary of transactions with related parties:

CONSOLIDATED INCOME STATEMENT - related-party transactions

<i>(in thousands of euro)</i>	<i>Sales 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>
Parent companies	--	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	--	1	--	--
Associates	--	--	(1,168)	--	895	--	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	50	--	--	--
Total	--	--	(1,168)	--	945	1	--	--

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Related-party transactions

<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 receivables</i>	<i>Trade receivables</i>	<i>Other receivables</i>	<i>Other borrowings</i>	<i>Other borrowings</i>	<i>Trade payables</i>	<i>Other payables</i>
Parent companies	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	--	9	--
Associates	1,644	1,168	105	--	--	1,199	--
Joint ventures	--	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--	--
Total	1,644	1,168	105	--	--	1,208	--

**SUMMARY OF KEY FIGURES FROM THE LATEST FINANCIAL STATEMENTS OF THE
COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION**

The key figures from the financial statements of F.Ili De Benedetti S.p.A. at 31 December 2015 are as follows:

(in euro)

STATEMENT OF FINANCIAL POSITION

ASSETS		
B)	Non-current assets	245,309,618
C)	Current assets	122,222
Total assets		245,431,840
LIABILITIES		
A)	EQUITY	
	Share capital	170,820,000
	Reserves	12,840,460
	Net income (loss) for the year	(2,187,310)
D)	PAYABLES	63,958,690
Total liabilities		245,431,840

INCOME STATEMENT

B)	Costs of production	(310,614)
C)	Financial income and (expense)	(1,876,720)
D)	Extraordinary income and (expense)	24
	Income taxes for the year	--
Net income (loss) for the year		(2,187,310)

CERTIFICATION OF THE HALF YEAR FINANCIAL REPORT AT 30 JUNE 2017
IN ACCORDANCE WITH ART. 154 BIS OF D. LGS 58/98

1. The undersigned, Rodolfo De Benedetti, as Chairman and Giuseppe Gianoglio as executive responsible for the preparation of the financial statements of Cofide 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 as of 30 June 2017, during the course of period 1 January 2017 – 30 June 2017.
2. On this subject no aspects emerged that needed to be notified.
3. We also certify that the interim consolidated financial statements as of 30 June 2017:
 - 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 interim report on operation as of 30 June 2017 includes a reliable analysis of the Company's performance and results of operations, as well as the general situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 28 July 2017

Signed by:

Rodolfo De Benedetti
Chairman

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

LIST OF EQUITY INVESTMENTS

AT 30 JUNE 2017

Pursuant to Art. 38.2 of Legislative Decree no. 127/91

SUBSIDIARIES CONSOLIDATED USING THE FULL LINE-BY-LINE METHOD

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership
COFIDE GROUP					
CIR S.p.A. (*)	Italy	397,146,183.50	€	COFIDE S.p.A.	45.80
CIR GROUP					
CIR INTERNATIONAL S.A.	Luxembourg	15,000,000.00	€	CIR S.p.A.	100.00
CIRINVEST S.r.l.	Italy	119,764.00	€	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
GEDI GROUP					
GRUPPO EDITORIALE L'ESPRESSO S.p.A. (**)	Italy	76,303,571.85	€	CIR S.p.A.	43.40
FINEGIL EDITORIALE S.p.A.	Italy	128,798,515.00	€	GEDI GRUPPO EDITORIALE S.p.A.	99.78
A. MANZONI & C. S.p.A.	Italy	15,000,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	100.00
ROTOCOLOR S.p.A.	Italy	25,000,000.00	€	FINEGIL EDITORIALE S.p.A.	100.00
SOMEDIA S.p.A.	Italy	677,608.00	€	GEDI GRUPPO EDITORIALE S.p.A.	100.00
ELEMEDIA S.p.A.	Italy	25,000,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	100.00
ITALIANA EDITRICE S.p.A.	Italy	7,500,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	100.00
PUBLIKOMPASS S.p.A.	Italy	3,068,000.00	€	ITALIANA EDITRICE S.p.A.	100.00
NEXTA S.r.l.	Italy	50,000.00	€	ITALIANA EDITRICE S.p.A.	100.00
MO-NET S.r.l.	Italy	35,800.00	€	ELEMEDIA S.p.A.	83.00
SOGEFI GROUP					
SOGEFI S.p.A. (***)	Italy	62,293,395.84	€	CIR S.p.A.	55.48
SOGEFI ITALY S.p.A. (formerly SOGEFI REJINA S.p.A.)	Italy	21,978,316.00	€	SOGEFI S.p.A.	99.88
SOGEFI FILTRATION S.A. (formerly SOGEFI FILTRATION FRANCE S.A.)	France	94,522,280.00	€	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. (formerly SOGEFI SUSPENSIONS FRANCE S.A.)	France	34,000,000.00	€	SOGEFI S.p.A.	99.998
FILTER SYSTEMS MAROC S.à.r.l.	Morocco	1,000,000.00	AED	SOGEFI FILTRATION S.A.	100.00
SOGEFI GESTION S.A.S.	France	100,000.00	€	SOGEFI S.p.A.	100.00
ALLEVARD SOGEFI U.S.A. Inc.	United States	20,055,000.00	\$USA	SOGEFI S.p.A.	100.00
SOGEFI AIR & COOLING S.A.S. (formerly SOGEFI AIR & REFROIDISSEMENT FRANCE S.A.S.)	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	78,488,474.00	Real	SOGEFI FILTRATION S.A. SOGEFI FILTRATION SPAIN S.A.U. SOGEFI SUSPENSION BRASIL Ltda	81.643962 18.3560366 0.0000013
					100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	57,235,407.00	Pesos	SOGEFI FILTRATION S.A. SOGEFI ITALY S.p.A.	99.4242 0.5757
					99.9999
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

(*) 55.14% net of own shares held as treasury stock.

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parent Companies</i>	<i>% of ownership</i>
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
(formerly LUHN & PULVERMACHER-DITTMANN & NEUHAUS GmbH)					
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	372,000,000.00	Inr	SOGEFI SUSPENSIONS S.A.	74.23
SOGEFI AIR & COOLING CANADA CORP.	Canada	9,393,000.00	Cad	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI AIR & COOLING USA Inc.	United States	100.00	\$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.	99.999995
				SOGEFI FILTRATION S.A.	0.000005
					100.00
SOGEFI ENGINE SYSTEMS HONG KONG Ltd	Hong Kong	1,000.00	Hkd	SYSTEMES MOTEURS CHINA S.à.r.l.	100.00

(**) 45.30% net of own shares held as treasury stock.

(***) 56.79 % net of own shares held as treasury stock.

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership
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
MEDIPASS HEALTHCARE LTD	UK	5,997.00	£GBP	MEDIPASS S.r.l.	96.00
CLEARMEDI HEALTHCARE LTD	India	10,717,240.00	₹	MEDIPASS S.r.l.	73.08
				CLEARVIEW HEALTHCARE LTD	26.92
					100.00
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	£GBP	MEDIPASS HEALTHCARE LTD	100.00
MEDIPASS LEEDS LTD (formerly HTI LEEDS)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
MEDIPASS BELFAST LTD (formerly HTI IRELAND)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
RESIDENZE ANNI AZZURRI S.r.l.	Italy	27,079,034.00	€	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	Italy	4,661,880.00	₹	MEDIPASS S.r.l.	85.19
HSS REAL ESTATE S.r.l.	Italy	2,064,000.00	€	KOS S.p.A.	100.00
ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	Italy	2,550,000.00	€	KOS S.p.A.	100.00
ABITARE IL TEMPO S.r.l.	Italy	100,826.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	54.00
SANATRIX S.r.l.	Italy	843,700.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	76.97
SANATRIX GESTIONI S.r.l.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.r.l.	Italy	80,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
FIDIA S.r.l.	Italy	10,200.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	60.00
LABORATORIO SALUS MACERATA S.r.l.	Italy	10,000.00	€	SANATRIX GESTIONI S.r.l.	100.00
KOS SERVIZI SOCIETÀ CONSORTILE a.r.l.	Italy	115,000.00	€	KOS S.p.A.	3.68
				RESIDENZE ANNI AZZURRI S.r.l.	46.12
				ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	36.93
				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>Parent Companies</i>	<i>% of ownership</i>
<i>CIR GROUP</i>					
DEVIL PEAK S.r.l.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
<i>GEDI GROUP</i>					
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	€	FINEGIL EDITORIALE S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	FINEGIL EDITORIALE S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	FINEGIL EDITORIALE S.p.A.	35.00
PERSIDERA S.p.A.	Italy	21,428,572.00	€	GEDI GRUPPO EDITORIALE S.p.A.	30.00
<i>SOGEFI GROUP</i>					
MARK IV ASSET (Shanghai) AUTO PARTS Co., Ltd	China	5,000,000.00	CNY	SOGEFI ENGINE SYSTEMS HONG KONG Ltd	50.00
<i>CIR INTERNATIONAL GROUP</i>					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
<i>KOS GROUP</i>					
APOKOS REHAB PVT Ltd	India	169,500,000.00	INr	KOS S.p.A.	50.00

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership.
GEDI GROUP					
ENOTRYA S.r.l. (in liquidation)	Italy	75,000.00	€	ELEMEDIA S.p.A.	70.00
CELLULARMANIA.COM S.r.l. (in liquidation)	Italy	10,400.00	€	ELEMEDIA S.p.A.	100.00
KSOLUTIONS S.r.l. (in liquidation)	Italy	100,000.00	€	ELEMEDIA S.p.A.	100.00
CLUB D.A.B. ITALIA – CONSORTILE S.p.A.	Italy	240,000.00	€	ELEMEDIA S.p.A.	37.50
GOLD 5 S.r.l. (in liquidation)	Italy	250,000.00	€	A. MANZONI & C. S.p.A.	20.00
LIGURIA PRESS S.r.l.	Italy	240,000.00	€	ITALIANA EDITRICE S.p.A.	20.00
TO-DIS S.r.l.	Italy	510,000.00	€	ITALIANA EDITRICE S.p.A.	45.00
SOGEFI GROUP					
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.r.l.	Italy	10,000.00	€	SOGEFI S.p.A.	100.00
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.r.l.	Italy	10,000.00	€	SOGEFI S.p.A.	100.00
KOS GROUP					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
CIR INTERNATIONAL GROUP					
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)

Name of Company	Registered office	Share capital	Currency	Parent Companies	% of ownership.
GEDI GROUP					
AGENZIA A.N.S.A. S. COOP. a.r.l.	Italy	10,783,361.63	€	GEDI GRUPPO EDITORIALE S.p.A.	3.68
				FINEGIL EDITORIALE S.p.A.	13.24
				ITALIANA EDITRICE S.p.A.	3.68
					20.59
CONSULEDIT S. CONSORTILE a.r.l. (in liquidation)	Italy	20,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	6.64
				FINEGIL EDITORIALE S.p.A.	5.48
				ITALIANA EDITRICE S.p.A.	3.70
					15.82
IMMOBILIARE EDITORI GIORNALI S.r.l.	Italy	830,462.00	€	FINEGIL EDITORIALE S.p.A.	0.34
				ITALIANA EDITRICE S.p.A.	7.61
					7.96
CONSORZIO EDICOLA ITALIANA	Italy	51,497.00	€	GEDI GRUPPO EDITORIALE S.p.A.	16.67
				ITALIANA EDITRICE S.p.A.	16.67
					33.33
FCA servizi per l'industria S. consortile p.A.	Italy	1,652,669.00	€	ITALIANA EDITRICE S.p.A.	2.00
AGENZIA INFORMATIVA ADRIATICA d.o.o.	Slovenia	12,768.00	€	FINEGIL EDITORIALE 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	ELEMEDIA S.p.A.	7.83
D-SHARE S.r.l.	Italy	110,950.02	€	ELEMEDIA S.p.A.	10.96
TELELIBERTÀ S.p.A.	Italy	2,200,000.00	€	FINEGIL EDITORIALE S.p.A.	4.32
PREMIUM PUBLISHER NETWORK consorzio	Italy	19,426.00	€	GEDI GRUPPO EDITORIALE S.p.A.	16.96
				ITALIANA EDITRICE 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	€	SOMEDIA S.p.A.	11.11
FIDIMPRESA S. Coop p.A.	Italy	15,480,000.00	€	ITALIANA EDITRICE S.p.A.	0.01
TRENTO PRESS SERVICE S.r.l.	Italy	260,000.00	€	ITALIANA EDITRICE S.p.A.	1.60
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	59,200,000.00	€	IST. DI RIABILITAZIONE S. STEFANO S.r.l.	0.68
			€	RESIDENZE ANNI AZZURRI S.r.l.	0.84
					1.52

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES

NON INCLUDING IN THE CONSOLIDATED STATEMENTS

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parent Companies</i>	<i>% of ownership.</i>
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CIR GROUP

FINAL S.A. <i>(in liquidation)</i>	France	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73
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REPORT OF THE INDIPENDENT AUDITORS

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
Cofide S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Cofide Group, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2017. The parent's 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.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Cofide Group as at and for the six months ended 30 June 2017 have not been prepared, in all material

Cofide S.p.A.

*Report on review of condensed interim consolidated financial statements
30 June 2017*

respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Other matters

The consolidated financial statements of the previous year and the condensed interim consolidated financial statements as at and for the six months ended 30 June 2016 have been respectively audited and reviewed by another auditor, who expressed an unmodified opinion on the consolidated financial statements and an unmodified conclusion on the condensed interim consolidated financial statements on 5 April 2017 and 4 August 2016, respectively.

Milan, 4 August 2017

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit