



ANNUAL REPORT
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
2017

COFIDE - Gruppo De Benedetti S.p.A.

Share Capital € 359,604,959

Register of Companies ref. no. and Tax Code 01792930016

A company subject to management and coordination by FRATELLI DE BENEDETTI S.p.A.

Registered office and operations centre
20121 Milan, Via Ciovassino 1
Tel. (02) 72270.1 Fax (02) 72270.270

Administrative office
10129 Turin, Via Valeggio 41
Tel. and Fax (011) 5517 +

CONTENTS

ADMINISTRATIVE BODIES

BOARD OF DIRECTORS	05
ANNUAL GENERAL MEETING OF THE SHAREHOLDERS	07

REPORT ON OPERATIONS

1. PERFORMANCE OF THE GROUP	16
2. PERFORMANCE OF THE PARENT COMPANY	19
3. RECONCILIATION OF THE PARENT COMPANY'S FINANCIAL STATEMENTS WITH THE CONSOLIDATED FINANCIAL STATEMENTS	20
4. PERFORMANCE OF THE SUBSIDIARIES	22
5. SIGNIFICANT EVENTS WHICH OCCURRED AFTER THE CLOSE OF THE YEAR	28
6. OUTLOOK FOR OPERATIONS	28
7. PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH COFIDE S.p.A. AND THE GROUP ARE EXPOSED	28
8. OTHER INFORMATION	30
9. PROPOSED ALLOCATION OF THE 2016 NET INCOME	33

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION	36
2. CONSOLIDATED INCOME STATEMENT	37
3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	38
4. CONSOLIDATED STATEMENT OF CASH FLOWS	39
5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	40
6. EXPLANATORY NOTES	41

CONSOLIDATED FINANCIAL STATEMENTS OF DIRECTLY SUBSIDIARY AT 31 DECEMBER 2016	131
---	-----

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF D.LGS 58/98	134
---	-----

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. STATEMENT OF FINANCIAL POSITION	136
2. INCOME STATEMENT	137
3. STATEMENT OF COMPREHENSIVE INCOME	138
4. STATEMENT OF CASH FLOWS	139
5. STATEMENT OF CHANGES IN EQUITY	140
6. EXPLANATORY NOTES	141

SEPARATE FINANCIAL STATEMENTS OF THE DIRECT SUBSIDIARY AT 31 DECEMBER 2016	177
--	-----

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF D.LGS 58/98	180
---	-----

LIST OF EQUITY INVESTMENTS	181
----------------------------------	-----

REPORT OF THE BOARD OF STATUTORY AUDITORS	189
---	-----

REPORT OF THE INDEPENDENT AUDITORS	195
--	-----

This Annual Report and Financial Statements as of 31 December 2016 were prepared as per the terms of Art. 154 ter of D.Lgs. 58/98 and were drawn up in accordance with international accounting standards applicable as recognized by the European Union in Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of July 19 2002, as well as with the measures issued in implementation of Art. 9 of D. Lgs. No 38/2005.

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

ADMINISTRATIVE BODIES

BOARD OF DIRECTORS

Honorary Chairman and Director	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 in its Communiqué 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



COFIDE – GRUPPO DE BENEDETTI S.p.A.

Milano – Via Ciovassino 1

Share Capital: Euro 359,604,959.00 fully paid up – Company Register and Tax Code. No. 01792930016
Company subject to management and coordination by F.lli De Benedetti S.p.A.

NOTICE OF ANNUAL GENERAL MEETING

The Shareholders are invited to attend the Ordinary and Extraordinary sessions of the Annual General Meeting on April 26 2018 at 4.00 p.m., at the first call, in the Palazzo delle Stelline Congress Centre, Corso Magenta 61, Milan and, if necessary, at the second call on **April 27 2018, same time and place**, to discuss and pass resolution on the following

AGENDA

Ordinary Part

1. Financial Statements for the year ended December 31 2017. Resolutions on the same. Presentation of the Consolidated Financial Statements for the year ended December 31 2017.
2. Proposal to cancel the resolution of April 28 2017 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
3. Compensation Report.

Extraordinary Part

4. Amendment of Article 11 of the Company Bylaws. Resolutions pertaining to and resulting from the same.
5. Authorization of the Board of Directors as per the terms of Articles 2420-ter and 2443 of the Civil Code; consequent amendment of Article 17 of the Company Bylaws. Resolutions pertaining to and resulting from the same.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to € 359,604,959.00 and consists of 719,209,918 ordinary shares each with a nominal value of € 0.50 and with voting rights except for the own shares for which voting rights are suspended.

Each share is assigned one vote or two votes as per the terms of Art. 8 of the Company Bylaws if the Board of Directors has ascertained that such a right exists.

ATTENDING THE SHAREHOLDERS' MEETING IN PERSON AND BY PROXY

Entitlement to take part in the Meeting and exercise a vote is attested by a notification – made by an authorized intermediary as per the terms of Art. 83-sexies of D.Lgs. no. 58/98 and subsequent amendments and additions (TUF) – in favour of the individual who has the right to vote based on evidence available at the close of business Tuesday April 17 2018, the seventh trading day preceding the date fixed for the first call of the Shareholders' Meeting. Any persons who obtain entitlement only after that date will not have the right to attend or vote at the Meeting.

To make it easier to check their entitlement to take part in the proceedings of the Meeting, participants are requested to show their copy of the notice made to the Company, which the authorized intermediary, in accordance with current regulations, is required to make available to them.

Any holders of shares that have not yet been dematerialized should first present their share certificates to an authorized intermediary for input into the centralized clearing system in electronic form, in accordance with the provisions of Article 17 of joint Consob/Bank of Italy Measure of October 22 2008, and should request that the notification be sent in as above.

Persons with voting rights can appoint a proxy to represent them at the Shareholders' Meeting in accordance with Art. 2372 of the Civil Code and with any other rules or regulations applicable. The proxy form at the bottom of the notification issued by the authorized intermediary may be used or alternatively there is a proxy form that can be downloaded from the company website www.cofide.it in the section Documents. The proxy form can be sent by registered post with advice of receipt

(A.R.) to the Milan Offices – Via Nervesa 21 - or, alternatively, may be sent to the certified e-mail address segre@legalmail.it. If the proxy gives or sends the Company a copy of the proxy form, he or she must certify under his or her own responsibility that the copy corresponds to the original and confirm the identity of the person appointing such proxy.

In accordance with legislation on the subject, Shareholders can, without incurring any charges, appoint as proxy Studio Segre S.r.l. as the Representative Designated by the Company as per the terms of Art. 135-*undecies* of the TUF. The proxy is appointed by signing the appropriate form available in the above-mentioned section of the website. The signed document must be sent to the Designated Representative, Studio Segre S.r.l. – Via Valeggio, 41 – 10129 Turin by registered post with advice of receipt (A.R.) or sent by e-mail to the certified address segre@legalmail.it by the end of the second trading day before the date fixed for the Shareholders' Meeting even at the second call (i.e. by Tuesday April 24 2018 for the first call and by Wednesday April 25 2018 for the second call). The proxy is not valid for the motions for which no voting instructions have been given. The proxy and the voting instructions are revocable until the dates by which they must be given.

The notice sent to the company by the authorized intermediary attesting the Shareholder's entitlement to attend the meeting is needed even when the Designated Representative of the Company is appointed as proxy. Therefore, in the absence of the above-cited notification the proxy will not be valid.

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

Shareholders who wish to ask questions regarding the items on the Agenda of the Shareholders' Meeting may send their questions by registered post with advice of receipt (A.R.) to the Company's Milan Offices, Via Nervesa 21, or by certified e-mail to the address segre@legalmail.it attaching either the certification issued by an authorized intermediary proving that they are entitled to exercise this right or the notification attesting their entitlement to attend the Shareholders' Meeting and to exercise their right to vote. Questions must be received by the close of the third day preceding the date fixed for the first call of the meeting, i.e. by April 23 2018.

The Company will give its response during the Shareholders' Meeting at the latest. Questions with the same content will receive a single response.

ADDITIONS TO THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

As per the terms of Art. 126-*bis* of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may request, within ten days of the publication of this notice, an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed, or they may submit proposed resolutions on subjects already on the Agenda. It should be remembered, however, that any such addition is not allowed for the items on which the Shareholders, as per the terms of the law, vote on a proposal made by the Directors or on a plan or a report prepared by the same, other than those included in Art. 125-*ter*, paragraph 1 of the TUF.

Requests should be made by registered post with advice of receipt (A.R.) to the Milan Offices of the Company, Via Nervesa 21, or by certified e-mail to the address segre@legalmail.it and must be accompanied by a report on the subject being put forward as well as by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right. Notice will be given of any additions to the Agenda and of any new proposed resolutions in the same form as those on this notice of meeting, at least fifteen days before the date fixed for the first call of the Shareholders' Meeting, by which time the report prepared by the proposers of the same will be made available to the public.

DOCUMENTATION

The documentation relating to the items on the Agenda, as required by current legislation, which includes, among other things, the complete text of the proposed resolutions, will be available to the public as per the terms of the law at the Company's Milan Office, Via Nervesa 21, (the Registered Office in Via Ciovassino 1 is being renovated), from Borsa Italiana S.p.A., on the authorized storage mechanism eMarketSTORAGE website www.emarketstorage.com and on the Company website www.cofide.it in the section Documents. Shareholders have the right to obtain a copy of this documentation.

The Financial Statements for the year 2017 will be made available to the public in the same way.

The Company Bylaws are available on the Company website www.cofide.it in the section Corporate Governance.

Milan, March 26 2018

For the Board of Directors
The Chairman – Rodolfo De Benedetti

REPORT ON OPERATIONS

Shareholders,

The Cofide Group recorded a consolidated net loss of € 3.0 million in 2017, compared with a net income of € 21.2 million in the previous year

This result was essentially attributable to CIR, which contributed a loss of € 3.3 million (+€ 18.4 million in 2016) and Cofide, the parent company, which contributed a net income of € 0.3 million (+ € 2.8 million in 2016)

For the subsidiary CIR, 2017 was characterised by positive trends, both in the industrial subsidiaries and in financial management; nevertheless CIR recorded a consolidated loss of € 5.9 million compared with a profit of € 33.8 in million the previous year due to the extraordinary tax charge incurred by the subsidiary GEDI to settle a dispute pending before the Supreme Court for facts dating back to 1991, whose impact on the consolidated results of CIR was negative for € 65.5 million. Excluding this extraordinary charge, CIR's consolidated net result would have been positive for € 59.6 million, a marked improvement on 2016.

The contribution made by the industrial subsidiaries to the consolidated income, before this tax charge, came to € 41.5 million, a significant increase compared with € 25.1 million in 2016.

Moving on to take a closer look at the individual group companies, for the GEDI publishing group, 2017 was characterised by significant events and extraordinary operations.

The integration of the ITEDI Group, publisher of the newspapers La Stampa and il Secolo XIX, with GEDI was completed on 27 June 2017, giving birth to the largest daily press group in Italy. As a result, GEDI acquired 100% control of the ITEDI Group, consolidating its results from 1 July 2017. As a preliminary step towards this integration, in the fourth quarter of 2016, in order to fall below the concentration limits established by current legislation applicable to the newspaper sector, the group deconsolidated 5 local newspapers, selling four of them (Alto Adige, Il Trentino, Il Centro and La città di Salerno) and renting out the other (*La Nuova Sardegna*). The 2017 scope of activity was therefore significantly different from that of 2016.

As mentioned previously, on 29 September 2017, the Board of Directors decided to take advantage of a procedure to settle a tax dispute for facts dating back to 1991, pursuant to art. 11 of Decree Law 50/2017. For the company, this settlement means having to pay € 175.3 million, of which € 140.2 million paid in 2017 and the other € 35.1 million to be paid by 30 June 2018. The Company has the resources to make this outlay financially sustainable. The Board of Directors therefore decided that the settlement was in the company's interests, as there were benefits in removing a potential tax risk that could have had significant consequences in the medium to long term, which would have been much more serious than the cost incurred as a result of this decision.

Even though the publishing industry is going through a difficult period, in 2017 GEDI booked revenue that rose by 8.2% (more or less stable based on the same scope); gross operating profit amounted to € 53.3 million, a significant improvement on the previous year, also with on the same scope.

Because of the tax charge, the group recorded a loss of € 123.3 million (compared with a profit of € 10.4 million in 2016), which is entirely covered by available equity reserves, without affecting the

share capital. Before the extraordinary tax charge, the net profit would have amounted for € 19.9 million.

Sogefi achieved 6.2% revenue growth, with a better performance than the market in Europe, North America and Asia. Gross operating profit increased by 8.6% to € 165.8 million and net profit increased from € 9.3 million in 2016 to € 26.6 million in 2017. These results confirm the effectiveness of the actions taken by the company to improve profitability and cash generation.

Lastly, KOS achieved a 6.4% increase in revenue, thanks in particular to the organic growth in all of its activities and to the acquisition of five structures made during the year. Gross operating profit went from € 82.6 million in 2016 to € 87.9 million, and profit for the year rose from € 23.4 million to € 29.0 million.

The parent CIR S.p.A. (including its non-industrial subsidiaries) contributed € 18.1 million of net income compared with € 8.7 million in 2016.

At 31 December 2017, the consolidated net financial indebtedness of Cofide, the parent, stood at € 31.1 million (€ 23.3 million at 31 December 2016). The change is mainly due to the purchase of treasury shares of € 11.4 million, less dividends received, net of those paid, for € 3.8 million.

Cofide Group equity at 31 December 2017 was € 524.7 million versus € 563.4 million at 31 December 2016. The change is essentially due to the loss for the period, the dilution following the integration of the ITEDI Group with GEDI, the distribution of dividends and the purchase of treasury shares.

Please note that on February 16, 2017 Cofide, the parent, began implementing a plan to purchase its treasury shares, as authorised by the Shareholders' Meeting of 29 April 2016. At 31 December 2017 the Company held 19,188,559 treasury shares (2.67% of the share capital) for a value of € 11.4 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 in 2017, the income statement and statement of financial position are provided with a breakdown showing the contribution of the subsidiaries to the net result and equity of COFIDE.

The **income statement** is as follows:

<i>(in millions of euro)</i>	2017	2016
Contributions of investments in subsidiaries:		
- CIR S.p.A.	(3.3)	18.4
TOTAL CONTRIBUTIONS	(3.3)	18.4
Net gains and losses on trading and the valuation of securities	2.7	5.9
Net financial income and expense	(0.9)	(1.1)
Net operating costs	(1.4)	(1.7)
RESULT BEFORE TAXES	(2.9)	21.5
Income taxes	(0.1)	(0.3)
NET RESULT	(3.0)	21.2

The **statement of financial position** at 31 December 2017 shows equity of € 524.7 million, Parent net financial indebtedness of € 31.1 million and long-term financial assets of € 557.0 million.

<i>(in millions of euro)</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
CIR S.p.A.	536.3	575.0
LONG-TERM EQUITY INVESTMENTS	536.3	575.0
Other long-term financial assets	20.7	12.9
TOTAL FINANCIAL ASSETS	557.0	587.9
Property, plant and equipment	1.2	1.2
Net receivables and payables	(2.4)	(2.4)
NET INVESTED CAPITAL	555.8	586.7
Financed by:		
Equity	524.7	563.4
Net financial indebtedness	(31.1)	(23.3)

The "Other long-term financial assets" of € 20.7 million consist mainly of Cofide's investment in the Jargonnant real estate fund for € 3.6 million and the investment in the Three Hills Decalia fund, which invests in small/medium-sized European companies, for € 6.6 million, and other investments in non-strategic interests for a total of € 10.5 million. The decrease of € 7.8 million compared with 31 December 2016 is due to redemptions of capital of the Jargonnant fund totalling € 2.7 million, whereas the increase derives from net investments of € 2.9 million and fair value adjustment of € 7.6 million.

1. Performance of the Group

Consolidated revenue for 2017 amounted to € 2,796.7 million compared with € 2,620.7 million in 2016, an increase of 6.7% (+7.3% at constant exchange rates). GEDI recorded an increase in revenue of 8.2% (stable on the same scope), Sogefi of 6.2% and KOS of 6.4%. Revenue generated abroad represent 56.7% of the total, thanks to the international development of Sogefi.

Consolidated revenue can be analysed as follows:

(in millions of euro)	2017	%	2016	%	Change absolute	%
Media						
GEDI Gruppo Editoriale	633.7	22.7	585.5	22.3	48.2	8.2
Automotive components						
Sogefi Group	1,672.4	59.8	1,574.1	60.1	98.3	6.2
Healthcare						
KOS Group	490.6	17.5	461.1	17.6	29.5	6.4
Total consolidated revenue	2,796.7	100.0	2,620.7	100.0	176.0	6.7
of which: ITALY	1,211.5	43.3	1,136.9	43.4	74.6	6.6
OTHER COUNTRIES	1,585.2	56.7	1,483.8	56.6	101.4	6.8

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

(in millions of euro)	2017	%	2016	%
Revenue	2,796.7	100.0	2,620.7	100.0
Gross operating profit (1)	289.0	10.3	257.1	9.8
Operating profit (EBIT)	152.8	5.5	127.8	4.9
Net financial expense (2)	(23.1)	(0.8)	(16.1)	(0.7)
Income taxes	(180.7)	(6.5)	(53.2)	(2.0)
Pofit from discontinued operations	7.6	0.3	2.0	0.1
Profit(loss) including non-controlling interests	(43.4)	(1.5)	60.5	2.3
Non-controlling interests	40.4	1.4	(39.3)	(1.5)
Profit(loss) attributable to the owners of the Parent	(3.0)	(0.1)	21.2	0.8

1) This is the sum of "Operating profit" and "Amortisation, depreciation & 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", "share of profit (loss) of equity accounted investees" and "adjustments to the value of financial assets" in the income statement.

In 2017, **consolidated gross operating profit** came to € 289.0 million (10.3% of revenue), compared with € 257.1 million (9.8% of revenue) in 2016, an increase of € 31.9 million (+12.4%), thanks above all to the increase in Sogefi's gross operating profit.

Operating profit in 2017 came to € 152.8 million compared with € 127.8 million in 2016; the increase reflects the positive trend in **gross operating profit** and is essentially thanks to Sogefi.

Net financial expense came to € 23.1 million compared with one of € 16.1 million in 2016; in detail:

- net financial expense came to € 50.2 million compared with € 48.3 million in 2016;
- net gains on trading of securities, gains from non strategic investments and fair value gains (losses) on financial assets came to € 27.6 million compared with € 31.4 million;

- fair value losses on equity-accounted investments amounted to € -0.5 million compared with a fair value gain of € + 0.8 million in 2016.

The **condensed statement of financial position of the COFIDE Group** at 31 December 2017, with comparative figures at 31 December 2016, is as follows.

<i>(in millions of euro)</i>		31.12.2017	31.12.2016
Non-current assets	(1)	1,986.3	1,814.6
Other net non-current assets and liabilities	(2)	(149.3)	(120.5)
Net working capital	(3)	(52.6)	(20.3)
Net invested capital		1,784.4	1,673.8
Net financial indebtedness	(4)	(303.6)	(166.9)
Total equity		1,480.8	1,506.9
Equity attributable to the owners of the Parent		524.7	563.4
Equity attributable to non-controlling interests		956.1	943.5

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

Net invested capital at 31 December 2017 came to € 1,784.4 million versus € 1,673.8 million at 31 December 2016.

The **net financial indebtedness** at 31 December 2017, as mentioned previously, amounted to € 303.6 million (compared with € 166.9 million at 31 December 2016) caused by:

- debt of € 31.1 million for COFIDE, the parent company, compared with € 23.3 million at 31 December 2016;
- a financial surplus for CIR and its non-industrial subsidiaries of € 343.0 million, which compares with € 334.3 million at 31 December 2016; the difference of € 8.7 million was caused mainly by the decrease in the net outlay of € 25.1 million for the distribution of dividends and by the purchase of treasury shares of € 14.0 million and the increase for cash flow from operations of € 47.8 million;
- by total net indebtedness of the industrial subsidiaries of € 615.5 million compared with € 477.9 million at 31 December 2016. The increase of € 137.6 million is attributable to the disbursements incurred by GEDI for the settlement of the tax dispute (€ 140.2 million), the integration of ITEDI (€ 7.8 million), investments in new structures (€ 42.9 million) and dividends of KOS (€ 13 million). The cash generation of the Sogefi group was very positive (+ € 35.0 million).

Total equity came to € 1,480.8 million at 31 December 2016 compared with € 1,506.9 million at 31 December 2016, a decrease of € 26.1 million.

Equity attributable to the owners of the Parent at 31 December 2016 amounted to € 524.7 million compared with € 563.4 million at 31 December 2016, a net decrease of € 38.7 million. The change is essentially due to the operating loss (€ 3.0 million), the dilution following integration of the ITEDI

Group with GEDI (€ 14.5 million), the distribution of dividends (€ 10.1 million) and the purchase of treasury shares (€ 11.4 million).

Equity attributable to non-controlling interests at 31 December 2016 amounted to € 956.1 million compared with € 943.5 million at 31 December 2015, a net decrease of € 12.6 million.

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

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

<i>(in millions of euro)</i>	2017	2016
SOURCES OF FUNDS		
Profit(loss) from continuing operations	(51.0)	58.5
Amortisation, depreciation, write-downs & other non-monetary changes	88.7	112.8
Self-financing	37.7	171.3
Change in working capital and other non-current assets and liabilities	41.0	46.4
CASH FLOW GENERATED BY OPERATIONS	78.7	217.7
Capital increases	1.5	11.5
TOTAL SOURCES OF FUNDS	80.2	229.2
APPLICATIONS OF FUNDS		
Net investment in non-current assets	(121.9)	(100.3)
Price paid for business combinations	(43.9)	(9.9)
Net cash of acquired companies	(6.8)	0.1
Purchase of non-controlling interests	--	(64.3)
Purchase of treasury shares	(25.3)	(19.4)
Payment of dividends	(29.9)	(44.7)
Other changes in equity	(0.5)	(0.2)
TOTAL APPLICATIONS OF FUNDS	(228.3)	(238.7)
CASH FLOWS USED FOR CONTINUING OPERATIONS	(148.1)	(9.5)
CASH FLOWS FROM DISCONTINUED OPERATIONS	11.4	2.0
CASH FLOWS FOR THE YEAR	(136.7)	(7.5)
OPENING NET FINANCIAL INDEBTEDNESS	(166.9)	(159.4)
CLOSING NET FINANCIAL INDEBTEDNESS	(303.6)	(166.9)

A breakdown of the net financial indebtedness is given in the notes to the consolidated financial statements.

In 2017 the Group recorded a cash outflows of € 136.7 million (deficit of € 7.5 million in 2016):

- the sources of funds fell from € 229.2 million to € 80.2 million due to GEDI's extraordinary outlay of € 140.2 million, as already mentioned;
- applications of funds (€ 228.3 million) include the payment of dividends totalling € 29.9 million, the purchase of treasury shares for € 25.3 million, application of funds in business combinations for a total of € 50.7 million (of which € 42.9 million of the KOS group and € 7.8 million of ITEDI) and net investments in non-current assets for € 121.9 million, mainly related to the Sogefi and KOS Groups.

At 31 December 2017 the CIR Group had 15,839 employees, compared with 14,329 at 31 December 2016.

2. Performance of the Parent

The parent Cofide S.p.A. closed 2017 with a net income of € 14.2 million compared with net income of € 18.8 million in 2016.

The **condensed income statement** of Cofide S.p.A., with comparative figures from 2016, is as follows:

<i>(in millions of euro)</i>	2017	2016
Net operating costs (1)	(0.9)	(1.1)
Other operating costs, amortisation and depreciation (2)	(0.5)	(0.6)
Net financial income (3)	15.7	20.8
Loss before taxes	14.3	19.1
Income taxes	(0.1)	(0.3)
Profit for the year	14.2	18.8

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 "gains(losses) on the value of financial assets" in the income statement of COFIDE S.p.A.

Net financial expense came to of € 15.7 million (compared with the result of € 20.8 million in the previous year) due to the collection of CIR's dividends of € 13.8 million and to gains on trading of securities for € 3.1 million, to impairment of financial assets for € 0.3 million and to financial charges of € 0.9 million.

The **condensed statement of financial position** of Cofide S.p.A. at 31 December 2017, with comparative figures as at 31 December 2016, is as follows:

<i>(in millions of euro)</i>	31.12.2017	31.12.2016
Non-current assets (1)	575.0	575.0
Other net non-current assets and liabilities (2)	20.2	12.9
Net working capital (3)	(1.9)	(2.4)
Net invested capital	593.3	585.5
Net financial position (4)	(31.1)	(23.3)
Equity	562.2	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 "financial assets available-for-sale" and "deferred tax assets" and "other receivables" under non-current assets and of "other payables" and "deferred tax liabilities" under 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.

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 "other loans and borrowings" in current liabilities in the statement of financial position of Cofide S.p.A., the Parent.

At 31 December 2017, the consolidated net debt of Cofide, the parent, stood at € 31.1 million (€ 23.3 million at 31 December 2016).

Equity at 31 December 2017 stood at € 562.2 million, unchanged with respect to 31 December 2016. Equity increased for the net result of the year (€ 14.2 million) and the change in the fair value reserve (€ 7.3 million) and decreased because of the distribution of dividends of € 10.1 million and the purchase of treasury shares (€ 11.4 million).

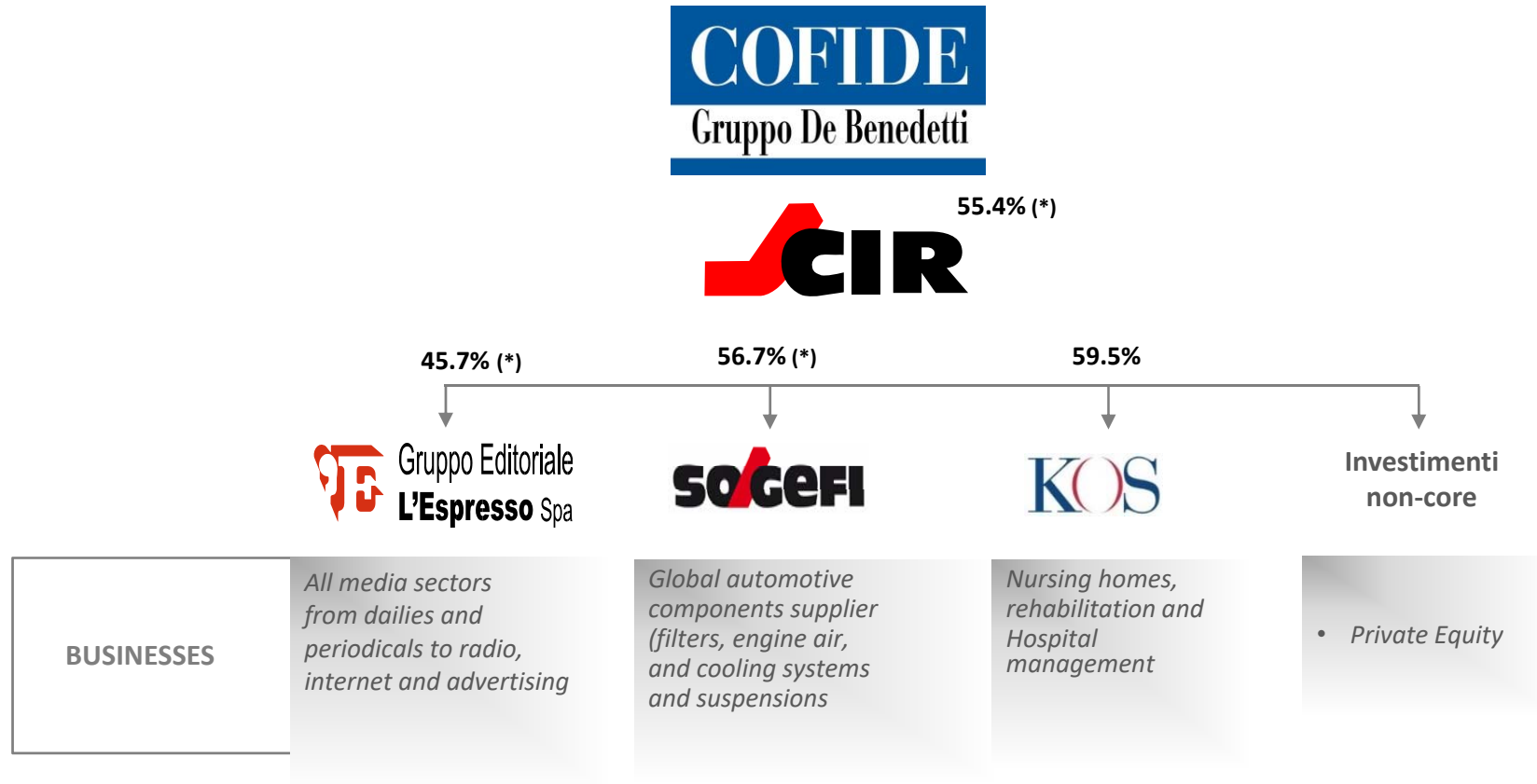
3. Reconciliation of the Parent's financial statements with the consolidated

The following is a reconciliation between the loss for the year and equity attributable to the owners of the Parent with the Parent's figures.

(in thousands of euro)

	<i>Equity 31.12.2017</i>	<i>Net result 2017</i>
Separate financial statements of COFIDE S.p.A. (Parent)	562,182	14,155
Dividends from consolidated companies	(13,823)	(13,823)
Net contribution of consolidated companies	66,852	(3,298)
Difference between the carrying amounts of equity accounted investees and the portions of their equity included in the consolidation, net of their contributions	(90,547)	--
Other consolidation adjustments	--	--
Consolidated financial statements (Attributable to the owners of the Parent)	524,664	(2,966)

Main Group investments
at 31 December 2017



(*) the percentage is calculated net of treasury shares

4. Performance of the subsidiaries

CIR GROUP - In 2017, the Loss for the year of the CIR Group amounted to € 5.9 million as a result of the already mentioned significant extraordinary tax charge incurred by GEDI to settle litigation pending in the Supreme Court for events dating back to 1991. The impact of this charge on the CIR Group's Result was € 65.5 million; excluding this tax charge, which is non-recurring, the consolidated net result would have been positive for € 59.6 million, showing good progress on 2016).

The contributions made to the consolidated net result and equity of the CIR Group are summarised below by sector:

<i>(in millions of euro)</i>	2017	2016
CONTRIBUTIONS TO NET RESULT		
GEDI Group	(56.4)	5.9
Sogefi Group	15.1	5.3
KOS Group	17.3	13.9
Total for main subsidiaries	(24.0)	25.1
Other subsidiaries	(0.3)	(0.5)
CIR and other non-industrial subsidiaries	18.4	9.2
Result of the CIR Group	(5.9)	33.8

The contribution made by the industrial subsidiaries to the result, before this tax charge, came to € 41.5 million, a significant increase compared with € 25.1 million in 2016.

Consolidated equity went from € 1,052.3 million at 31 December 2016 to € 967.3 million at 31 December 2017, a net decrease of € 85 million. The change is essentially due to the loss for the year, the dilution following the integration of the ITEDI Group with GEDI, the distribution of dividends and the purchase of treasury shares.

<i>(in millions of euro)</i>	31.12.2017	31.12.2016
CONTRIBUTIONS TO EQUITY		
GEDI Group	254.8	337.9
Sogefi Group	107.1	98.7
KOS Group	170.9	161.0
Other subsidiaries	0.9	0.8
Total industrial subsidiaries	533.7	598.4
CIR and other non-industrial subsidiaries	433.6	453.9
- invested capital	90.6	119.6
- net financial position	343.0	334.3
Equity attributable to the CIR Group	967.3	1,052.3

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

► MEDIA

As regards the general trend in the **market**, after a slight recovery in 2016, advertising expenditure in 2017 fell by 2.1% compared with last year (Nielsen Media Research figures). Positive trends were recorded only by radio, which showed an increase of 5.4%, confirming the positive trend that has been going on since 2015, and internet which, excluding search engines and social media, achieved a slight growth in revenue (+1.7%); TV recorded a decline of 1.6% and the press suffered a drop of 7.1%, with newspapers at -7.7% (-9.0% in national revenue and -6.7% in local revenue) and magazines at -6.2%. As for newspaper circulation in 2017, according to the figures published by ADS (Accertamento Diffusione Stampa), sales on newsstands and by subscription fell by 8.8%, in line with the previous year.

In 2017 the GEDI group achieved consolidated **revenue** amounting to € 633.7 million, up 8.2% and substantially stable on the same scope (-0.1%); the breakdown of group revenues is shown below.

(in millions of euro)	2017		2016		Change
	Amounts	%	Amounts	%	%
Circulation and add-ons	243.6	38.4	242.5	41.4	0.5
Advertising	390.1	61.6	343.0	58.6	13.7
TOTAL	633.7	100.0	585.5	100.0	8.2

Circulation **revenue** amounted to € 201.7 million, a slight increase (+0.8%) compared with the previous year and a decrease of 7.1% on a comparable basis, in a market that is continuing to see a significant reduction in the circulation of daily newspapers (-8.8%).

Advertising revenue grew by 13.7% on 2016; the increase on a comparable basis was 5.7%, with a 3.3% decrease on group media and a significant increase in third-party concessions, thanks to the new concessions of Radio Italia and the newspapers *La Stampa* and *il Secolo XIX* (whose national advertising intake was transferred to the group from the beginning of 2017 and for the first half of the year it was classified as advertising for third parties, given that the integration took place halfway through the year).

As regards the group's media, radio revenue grew by 5.0%, confirming the positive trend observed in the previous year. Internet revenue rose by 9.9% (2.3% on a comparable basis), better than the market trend. Lastly, publishing revenue increased by 4.8% (-7.3% on a comparable basis, in line with the general trend in newspaper revenue).

Costs, excluding add-ons and third-party concessions, rose by 1.4% and fell by 5.4% based on the same scope; fixed industrial costs, in particular, have fallen by 12.8% thanks to the ongoing reorganisation of the Group's production structure, whereas logistic and distribution costs have been cut (-11.0%) following a rationalisation of transport, administration and other operating costs (-3.3%), thanks to the measures taken to hold down labour costs and general expenses.

Gross operating profit amounted to € 53.3 million, a significant improvement compared with 2016 (€ 43.7 million), also on a comparable basis (€ 46.1 million).

Consolidated operating profit was € 28.7 million, an increase compared with the result for 2016 (€ 22.4 million), also on a comparable basis (€ 22.5 million).

Income Taxes amounted to € 150.5 million due to the charge incurred to settle the dispute mentioned above, for a total of € 143.2 million.

The profit from discontinued operations includes € 8.2 million, as a deferred payment for the sale of *All Music* to *Discovery* in January 2015.

After the **income tax** mentioned above, this segment recognised a loss of € 123.3 million, compared with a profit of € 10.4 million in 2016.

The **net financial position** at 31 December 2017 showed net debt of € 115.1 million, after the tax disbursement of € 140.2 million for the tax settlement.

The Group had 2,445 employees at the end of 2017, including those on fixed-term contracts, including 532 from the ITEDI Group.

The Board of Directors of GEDI, the holding company, which met on 5 March 2018, proposed to the Shareholders' Meeting not to distribute any dividend in 2017.

As regards the performance for the initial part of 2018, the evidence to date does not allow us to foresee market developments significantly different from those in 2017.

In this context, the group will undertake to achieve all the advantages deriving from the integration with ITEDI, in the development of digital activities and in the permanent implementation of rationalisations aimed at preserving profitability in a structurally difficult market.

After the end of the financial year, GEDI received a binding offer to buy Persidera, which is held 30%. The offer was not considered in line with expectations and was therefore rejected. Contacts are currently underway with other investors, whose offers will be evaluated.

► AUTOMOTIVE COMPONENTS

In 2017, the world **automotive market** recorded a 2.1% increase in production, with growth of 1.1% in Europe, thanks to a good performance in the fourth quarter (+6.0%), 2.7% in Asia, despite the slowdown in China, and 20.9% in South America. In North America, the market fell by 4.0%, confirming the forecasts.

In this context, in 2017, the **revenue** of the Sogefi group increased by 6.2% to € 1,672.4 million compared with € 1,574.1 million in 2016 (+7.3% at constant exchange rates). After sustained growth in the first quarter (+12.6%), but more modest in the second (+4.5%) and third (+2.0%), the last quarter posted an increase of 6%, in line with expectations. Based on the same exchange rates, quarterly growth was +11%, +4.6%, +4.2% and +9.4% respectively.

A breakdown of the group's consolidated revenue by area of activity is provided below.

(in millions of euro)	2017		2016		Change
	Amounts	%	Amounts	%	%
Suspension	606.8	36.3	562.8	35.8	7.8
Filtration	565.7	33.8	535.1	34.0	5.7
Air and Cooling	504.0	30.1	480.2	30.5	5.0
Intercompany eliminations	(4.1)	(0.2)	(4.0)	(0.3)	n.a.
TOTAL	1,672.4	100.0	1,574.1	100.0	6.2

All of the business units contributed to the development of the group. *Suspensions* recorded an increase of 7.8% (+8.9% at constant exchange rates), *Filtration* of 5.7% (+7.1% at constant exchange rates) and *Air and Cooling* of 5.0% (+5.6% at constant exchange rates).

As regards geographical areas, in Europe revenue grew by 4.3%, with a better performance than the reference market (+1.1%). Business in North America is still growing (+2.1%), despite the negative performance of the market (-4.0%). Revenue in Asia and South America increased by 20.9% and 13.2% respectively.

Gross operating profit came in at € 165.8 million, up by 8.6% from € 152.7 million in 2016. The increase was due to revenue growth and to the improvement in profitability, rising to 9.9% from 9.7% in 2016.

The increase in profitability was achieved despite the negative impact of the increase in the price of steel (€ 13 million). Overall labour costs as a percentage of revenue decreased from 21.4% in 2016 to 20.8% in 2017.

Operating profit grew by 14.6% to € 85.4 million, compared with € 74.5 million in 2016, and represents 5.1% of revenue. The result in 2017 includes € 6.2 million of write-downs in Brazilian assets (€ 4.8 million in 2016).

Income before taxes and minority interests was € 53.7 million (€ 46.6 million in 2016), after financial charges of € 31.7 million (€ 31.5 million in 2016). Cash interest expense in 2017 was lower by € 5.3 million.

Profit for the year amounted to € 26.6 million (€ 9.3 million in 2016) after tax charges of € 23 million, compared with € 32.6 million in 2016.

The reduction in income taxes compared with 2016 is due for € 6.7 million to a non-recurring tax charge recorded in the previous year (in connection with the claims of Sogefi Air & Cooling S.A.S.).

As regards the risk of claims, for Sogefi Air & Cooling S.A.S. (formerly Sogefi Air & Refroidissement France S.A.S.), there were no significant changes in 2017.

Net financial indebtedness at 31 December 2017 amounted to € 264 million, with a decrease of € 35 million compared with 31 December 2016 (€ 299 million). Free cash flow of 2017 was positive for € 34.4 million compared with € 31.2 million the previous year, which included € 15.3 million of non-recurring collections attributable to product warranties and the favourable outcome of a tax dispute. Net of these extraordinary collections, free cash flow increased from € 15.2 million in 2016 to € 34.4 million in 2017. The improvement was achieved despite an increase in capital expenditure to € 68.1 million (€ 58.8 million in 2016).

At 31 December 2017, equity, excluding non-controlling interests, came to € 189.0 million (€ 172.9 million at 31 December 2016).

The Sogefi Group had 6,947 employees at 31 December 2017 compared with 6,801 at 31 December 2016.

For 2018, it is expected that the global car market will expand by around 1.5%.

In this context, the group expects growth at constant exchange rates moderately higher than the market, thanks in particular to the development initiatives undertaken in Mexico and Morocco, and an result on the rise, despite the further increase in the cost of steel.

► HEALTHCARE

Over the past five years, **health care spending** has seen a sharp decline, linked to a reorganisation of services, increased efficiency in purchasing and greater selectivity in hospital admissions and the provision of health services generally.

As established by Legislative Decree of 5 June 2017 (Redetermination of the level of national health requirements), the new Budget Law for 2018 confirms the reduction of € 0.6 billion in public funding for the NHS in 2018 and 2019; public funding will therefore be € 113.4 billion and € 114.4 billion respectively.

For KOS, in 2017, the regulatory framework of reference has not undergone significant changes at national or regional level, with the exception of the Resolution of the Regional Council of the Lombardy Region no. 6592 of 12 May 2017, which established a ceiling for low complexity services for patients outside the Region.

Lastly, the significant growth in private spending is confirmed. It has partially replaced public spending for some health services (mainly outpatient), following the increase in prescription charges and longer waiting times in public facilities.

The KOS group manages 81 facilities, mainly in central and northern Italy, for a total of 7,764 beds in use, operating in the following areas:

- 1) *Long Term Care*: resulting from the aggregation of the *Care Homes* area, operating in the management of residential care homes for the elderly mainly under the Anni Azzurri brand for a total of 5,409 beds in use, and the Rehabilitation area, operating in the management of functional and psychiatric rehabilitation facilities, psychiatric treatment communities and day hospitals, mainly under the Santo Stefano (rehabilitation) and Neomesia (psychiatry) brands, for a total of 2,232 beds;
- 2) *Diagnostics and cancer cure*: contract management of high-tech diagnostic and radiotherapy services in both public and private structures, management of accredited radiological centres and clinics, under the *Medipass* brand in 17 facilities in Italy, in 3 facilities in the United Kingdom and in 16 facilities in India;
- 3) *Hospital management*: Concession management of a public hospital, for a total of 123 beds.

In 2017, KOS's **revenue** rose by 6.4% to € 490.6 million; a breakdown of the result by areas of activity is provided below.

(in millions of euro)	2017		2016		Change
	Amounts	%	Amounts	%	
Long Term Care	398.7	81.3	381.6	82.8	4.5
Diagnostics and cancer cure	55.1	11.2	43.5	9.4	26.7
Acute	36.8	7.5	36.0	7.8	2.2
TOTAL	490.6	100.0	461.1	100.0	6.4

Growth on a comparable basis was 2.5% and involved all of the Group's areas of activity; in addition, there was a contribution of five acquired structures and six diagnostic services and oncology treatments that started up during the year. Furthermore, in 2017, there was the full contribution of three structures launched during the previous year.

Consolidated gross operating profit amounted to € 87.9 million, up 6.4% compared with € 82.6 million in 2016.

Consolidated **operating profit** amounted to € 53.8 million compared with € 48.7 million the previous year.

Consolidated **profit for the year** came in at € 29.0 million, 23.9% up on € 23.4 million of last year.

At 31 December 2017 the KOS Group had **net financial indebtedness** of € 237.1 million, compared with € 213.6 million at 31 December 2016; during the year, the Group distributed dividends of € 13 million and invested € 42.9 million in new acquisitions.

At 31 December 2017 consolidated equity amounted to € 287.0 million versus € 270.5 million at 31 December 2016.

The Group had 6,467 employees at 31 December 2017 compared with 5,560 at 31 December 2016.

During the year, the KOS Group continued with its development plans in the *Long Term Care* sector, through the following acquisitions:

- Laboratorio Salus Macerata S.r.l., laboratory of clinical analysis accredited by the National Health Service and operating in Macerata.
- The "Barbarano" care home located in Rome, accredited and authorised to operate for a total of 118 beds.
- "Villa Maura", a high-intensity psychiatric therapy community with 20 hospital beds and 15 day centre beds in Pavia.
- Casa di Cura Villa Margherita S.r.l., active in functional rehabilitation facilities through the management of two structures in the municipalities of Arcugnano (VI) and Benevento, for a total of 282 beds.

The growth continued in 2017, also in the *Diagnostics and Cancer Cure* sector, through its subsidiary Medipass, which acquired the Tuscan company Ecomedica, which specializes in diagnostics and radiotherapy, with annual revenue of € 9 million; during the year, two new service contracts were also activated in India and one in the United Kingdom.

Subsequent to the year end, in January, Idea S.r.l. was acquired, a company that manages a residential structure for non self-sufficient elderly people, authorised and accredited with the Marche region for 90 beds and 20 day centre beds. In February, Casa di Cura S. Alessandro S.r.l. was acquired, a company that manages a structure with 60 beds currently authorised for psychiatric rehabilitation activities.

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

► NON-CORE INVESTMENTS

They are represented by private equity fund investments, non strategic investments and other investments amounting to € 74.0 million at 31 December 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 31 December 2017, based on the NAVs provided by the corresponding funds, came to € 53.0 million, a decrease of € 5.1 million compared with 31 December 2016, due essentially to distributions, which amounted to € 14.0 million and generated a gain of € 9.2 million. Outstanding commitments at 31 December 2017 amounted to € 5.7 million.

Other investments

During 2017, CIR disposed of its non-strategic investments, realising capital gains of € 11.3 million. At 31 December 2017 the portfolio of non-strategic investments directly and/or indirectly held by CIR amounted to € 9.9 million.

At 31 December 2017, CIR International had a portfolio of non-performing loans (NPLs) for a total of € 11.1 million, after the sale of a portion of the portfolio (book value: € 17 million) to a company specializing in the management of NPLs carried out on 20 October 2017 for a consideration in line with the book value.

5. Outlook

As regards its performance in 2018, the COFIDE Group expects to continue the path of development in the component sector with an increasing bottom line, despite the further increase in the cost of steel; in the media sector, if the evidence available to date does not allow us to foresee significant market developments other than those that featured in 2017, the group will undertake to achieve all the advantages deriving from the integration with ITEDI, with measures aimed at preserving profitability in a structurally difficult market; the Group will continue to develop its activity in the health care sector, especially in Italy.

6. Principal risks and uncertainties to which Cofide S.p.A. and the group are exposed

Risks connected with the results of the Group

The Cofide Group operates, among other things, in the automotive components sector, which is subject to cyclical factors, and in the media sector which is more sensitive to trends in the economic cycle, whereas the health sector depends significantly on commercial relationship with public bodies, such as municipalities and regions.

It is difficult to forecast the extent and duration of these various cycles. However, any macroeconomic event, such as a significant decline in a particular market, volatility in the financial markets, a rise in energy prices, fluctuations in commodity prices, etc. could have an impact on the Group's prospects and business activities, as well as on its results and financial position. In addition, any decrease in the expenditure capacity of Government and other public bodies could affect the activities of the health sector, its economic situation and financial position.

Risks connected with borrowing requirements

The COFIDE Group expects to be able to meet its borrowing requirements in terms of maturing loans and investment needs with its operating cash flows, available liquidity and by renewing or refinancing its bank loans or bonds. Even in the current market context, the Group aims to maintain a sufficient capacity to generate funds from ordinary operations.

The Group invests any free cash flow, spreading its investments over a suitable number of prime counterparties, matching the residual life of these investments with the maturity of its obligations on the funding side. However, in light of the current financial crisis, it cannot be ruled out that there may be banking or money market situations that could obstruct the normal functioning of the financial system.

Risks connected with fluctuations in exchange and interest rates

A significant part of Group borrowings involves the payment of interest at floating rates, mainly linked to Euribor. So any rise in interest rates could result in higher funding costs or more costly debt refinancing on the part of Group companies.

In order to limit the risk of interest rate fluctuations, the Group uses interest rate derivatives to keep them within a predetermined range.

Some Group companies, particularly in the Sogefi Group, do business in European countries that do not belong to the Euro-zone and non-EU countries that use different currencies, exposing them to the risk of fluctuations in foreign exchange rates against the euro. In line with its risk management policies, the Group takes out hedges to limit this risk.

Despite this hedging, sudden fluctuations in exchange or interest rates could have a negative impact on the Group's economic and financial results.

Risks connected with customer and supplier relations

In its relations with customers, the Group manages the demand concentration by suitably diversifying its customer portfolio, both geographically and in terms of distribution channels. In relations with suppliers the approach differs according to the business segment. For example, the Sogefi Group diversifies its sourcing by using several suppliers operating in different parts of the world, which enables the Group to reduce its risk of commodity price fluctuation and avoid relying too heavily on key suppliers.

Risks connected with competitiveness in the Group's business segments

The Group operates in markets with genuine entry barriers against new competitors thanks to technology or quality gaps, the need to make substantial initial investments and the fact that it operates in sectors that are highly regulated, requiring special authorisations from the competent authorities.

It is important as the ability to develop and deliver innovative products would allow Group companies to achieve results in line with the strategic forecasts.

Risks connected with environmental policies

The Group operates in sectors that are subject to a host of environmental rules and regulations (at local, national and supranational level) and they are often revised to become more restrictive. Having to comply with these regulations, especially if they continue to change, could lead to very high costs that potentially could impact the Group's profit margins.

Risks connected with the result of the referendum in Great Britain

We would like to communicate the following in accordance with the ESMA/2016/1528 Document of 28 February 2016 – *European Common Enforcement Priorities for 2016 Financial Statements*.

The COFIDE Group, whose activities have no significant direct representation in the United Kingdom, has a limited exposure to the risks associated with Brexit, unless this might derive - in both economic and financial terms - from a more general impact on the entire Italian economic and industrial system from uncertainty about the timing and ways in which the UK leaves the European Union.

COFIDE S.p.A., as the Parent, is exposed to substantially the same risks and uncertainties as described above for the Group.

7. Other information

Treasury shares

At 31 December 2017 the Parent held 19,188,559 treasury shares (2.67% of share capital). See the paragraph on equity in the notes to the financial statements for further information about treasury shares.

Transactions with Group companies and related parties

For an analysis of transactions with related parties, please refer to the explanation given in the notes to the consolidated financial statements. For the procedural provisions adopted in relation to transactions with related parties, also with reference to the provisions of art. 2391 bis of the Italian Civil Code, in force during 2017, reference should be made to the procedure adopted by COFIDE S.p.A. pursuant to the Regulation approved by CONSOB with resolution no. 17221 of 12 March 2010 and subsequent amendments published on the Company's website www.cofide.it in the "Governance" section.

Report on Corporate Governance

The Cofide Group's corporate governance model is based on the guidelines contained in the Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana (the Italian Stock Exchange) and published in July 2014 with the additions and adjustments needed to reflect the Group's characteristics.

In compliance with regulatory requirements, an "Annual Report on Corporate Governance" is prepared each year with a general description of the corporate governance system adopted by the Group. It also gives information on the ownership structure and compliance with the Code of Conduct, including the main governance practices followed and the characteristics of the risk management and internal control system applied to the financial disclosure process.

Note that the full text of the "2017 Annual Report on Corporate Governance" was approved in full by the Board of Directors' Meeting convened to approve the draft consolidated financial statements at 31 December 2017.

The Annual Report on Corporate Governance will be available to anybody on request, subject to the conditions laid down by Borsa Italiana for its publication. The Report is also available in the Governance section of the Company's website (www.cofide.it)

As regards Italian Legislative Decree 231/01, which was issued to bring the law on the administrative liability of legal entities into line with the international conventions signed by Italy, on 7 March 2003 the Company's Board of Directors adopted a Code of Ethics for the COFIDE Group, which is published as an attachment to the "Annual Report on Corporate Governance". It lays down the values to be followed by the Group in the pursuit of its objectives and establishes binding principles of conduct for its Directors, employees and other stakeholders. On 5 September 2003, the Board of Directors approved the "Organisational Model - the Model of Organisation and Management as per Legislative Decree 231/01", which is in line with the instructions laid down in the decree to ensure fairness and transparency in the conduct of business and corporate activities.

This Organisational Model is constantly updated by the Board of Directors as the scope of this legislation is extended.

In relation to the obligations set out in Art. 2.6.2, paragraph 8 of the Rules of Borsa Italiana, taking into account the provisions of Articles 36 and 37 of Consob Resolution 16191, we hereby confirm that there is no hindrance to the listing of Cofide shares on the MTA market organised and managed by Borsa Italiana S.p.A., given that the non-EU foreign subsidiaries, which are particularly significant for Cofide, publish their own Bylaws and the composition and powers of their corporate bodies

according to the legislation applicable to them or voluntarily, they provide the Company's auditors with the information necessary to carry out their audit on the annual and interim accounts of Cofide, and they have a suitable administrative and accounting system to provide the Company's Management and its auditors with the economic, balance sheet and financial figures needed to prepare the consolidated financial statements. Furthermore, as regards the fact that the Company is subject to management and coordination by its parent company Carlo De Benedetti & Figli S.p.A., the Company has fulfilled all the disclosure requirements of art. 2497-bis of the Civil Code, it has the power to negotiate independently with customers and suppliers, it has no centralised treasury function in common with Carlo De Benedetti & Figli and the Board of Directors, out of a total of 9 members, has 5 who satisfy the independence requirements and are therefore sufficient to guarantee that their judgement has a significant weight in the decision-making process of the Board.

Preparation of the "Security Policy Document"

As regards compliance with personal data processing regulations under Legislative Decree no. 196/03, the Personal Data Protection Code, Decree Law 5 of 9 February 2012, known as the "Simplification Decree" repealed the obligation to prepare a Security Policy Document. All of the other obligations remain valid.

However, the fact that this document is no longer required does not reduce the level of monitoring of compliance with these regulations.

Compliance with the Personal Data Protection Code is verified by means of the risk analysis document, which is prepared once a year, and a separate data processing map, which is updated whenever there are changes.

Consolidated non-financial report (Italian Legislative Decree no. 254/2016)

In compliance with the provisions of article 5, paragraph 3, letter b, of Legislative Decree 254/2016, the Group has prepared a consolidated non-financial report which constitutes a separate document. The consolidated non-financial statement for 2017, prepared according to the "GRI Standards" and subjected to limited audit by KPMG S.p.A., is available on the Company's website (www.cofide.it).

Research and development

Research and development at Group level in 2017 was concentrated principally in the components sector. In the Sogefi Group, R&D expenditure for the year amounted to € 38.7 million (€ 38.1 million the previous year), mainly oriented towards product innovation,

Significant events which occurred after the reporting date

With regard to significant events that took place after the end of the year, please refer to note 26 "Other information" of the notes to the consolidated financial statements.

Exception to the obligation to publish information documents in accordance with art. 70, paragraph 8, and art. 71, paragraph 1-bis of the Issuers' Regulations

In accordance with art. 70, paragraph 8, and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, as amended by Resolution no. 18079 of 20 January 2012, the Board of Directors decided to exercise its right to make an exception to the obligation to publish the information documents required in the event of significant transactions such as mergers, spin-offs, increases in capital by means of a contribution in kind, acquisitions and disposals.

Other

COFIDE S.p.A. has its registered office in Via Ciovassino 1, Milan, Italy.

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

This report for the period 1 January-31 December 2017 was approved by the Board of Directors on 12 March 2018.

COFIDE GROUP

Consolidated financial statements

at 31 December 2017

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of financial position

(in thousands of euro)

ASSETS	Notes	31.12.2017	31.12.2016
NON-CURRENT ASSETS		2,220,109	2,070,459
INTANGIBLE ASSETS	(7.a.)	1,138,329	988,003
PROPERTY, PLANT AND EQUIPMENT	(7.b.)	691,148	671,159
INVESTMENT PROPERTY	(7.c.)	19,434	20,144
EQUITY ACCOUNTED INVESTMENTS	(7.d.)	125,181	129,987
OTHER EQUITY INVESTMENTS	(7.e.)	12,249	5,323
OTHER ASSETS	(7.f.)	56,874	79,099
of which with related parties (*)	(7.f.)	--	1,644
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(7.g.)	79,511	85,009
DEFERRED TAX ASSETS	(7.h.)	97,383	91,735
CURRENT ASSETS		1,347,959	1,349,077
INVENTORIES	(8.a.)	139,072	137,406
CONTRACT WORK IN PROGRESS	(8.a.)	36,536	40,947
TRADE RECEIVABLES	(8.b.)	472,614	414,246
of which from related parties (*)	(8.b.)	1,677	1,542
OTHER ASSETS	(8.c.)	105,207	92,863
of which with related parties (*)	(8.c.)	105	105
LOAN ASSETS	(8.d.)	38,986	30,183
SECURITIES	(8.e.)	57,228	66,157
FINANCIAL ASSETS AVAILABLE-FOR-SALE	(8.f.)	235,251	234,012
CASH AND CASH EQUIVALENTS	(8.g.)	263,065	333,263
ASSETS HELD FOR SALE	(8.h.)	3,418	3,418
TOTAL ASSETS		3,571,486	3,422,954
LIABILITIES		31.12.2017	31.12.2016
EQUITY		1,480,773	1,506,896
SHARE CAPITAL	(9.a.)	350,011	359,605
RESERVE	(9.b.)	79,861	95,041
RETAINED EARNINGS	(9.c.)	97,758	87,519
NET INCOME (LOSS) FOR THE PERIOD		(2,966)	21,249
EQUITY ATTRIBUTABLE TO THE OWNER OF THE PARENT		524,664	563,414
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		956,109	943,482
NON-CURRENT LIABILITIES		1,033,504	975,300
BONDS	(10.a.)	365,112	283,742
OTHER LOANS AND BORROWINGS	(10.b.)	281,863	311,815
OTHER LIABILITIES		6,829	15,175
DEFERRED TAX LIABILITIES	(7.h.)	171,068	149,833
EMPLOYEE BENEFIT OBLIGATIONS	(10.c.)	139,735	131,058
PROVISIONS FOR RISKS AND CHARGES	(10.d.)	68,897	83,677
CURRENT LIABILITIES		1,057,209	940,758
DUE TO BANKS	(8.g.)	17,551	12,771
BONDS	(11.a.)	20,168	20,980
OTHER LOANS AND BORROWINGS	(11.b.)	213,458	201,179
TRADE PAYABLES	(11.c.)	469,451	433,354
of which to related parties (*)	(11.c.)	1,830	2,189
OTHER LIABILITIES	(11.d.)	265,337	199,697
PROVISIONS FOR RISKS AND CHARGES	(10.d.)	71,244	72,777
LIABILITIES HELD FOR SALE	(8.h.)	--	--
TOTAL LIABILITIES AND EQUITY		3,571,486	3,422,954

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

2. Income statement

(in thousands of euro)

	Notes	2017	2016
REVENUE	(12)	2,796,698	2,620,680
CHANGE IN INVENTORIES		(4,268)	5,460
COST FOR THE PURCHASE OF GOODS	(13.a.)	(1,046,116)	(988,180)
COST FOR SERVICES	(13.b.)	(674,459)	(614,406)
of which with related parties (*)	(13.b.)	(2,573)	(6,272)
PERSONNEL COSTS	(13.c.)	(732,661)	(712,409)
OTHER OPERATING INCOME	(13.d.)	30,907	26,812
of which with related parties (*)	(13.d.)	1,949	1,778
OTHER OPERATING COSTS	(13.e.)	(81,059)	(80,853)
of which with related parties (*)	(13.e.)	--	--
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(136,176)	(129,277)
OPERATING PROFIT		152,866	127,827
FINANCIAL INCOME	(14.a.)	9,594	13,058
of which with related parties (*)	(14.a.)	3	15
FINANCIAL EXPENSE	(14.b.)	(59,810)	(61,352)
DIVIDENDS		5,373	11,557
GAINS FROM TRADING SECURITIES	(14.c.)	26,391	16,582
LOSSES FROM TRADING SECURITIES	(14.d.)	(156)	(668)
SHARE OF PROFIT (LOSS) EQUITY ACCOUNTED INVESTEEs	(7.d.)	(524)	849
FAIR VALUE GAINS(LOSSES) ON FINANCIAL ASSETS	(14.e.)	(3,998)	3,827
PROFIT BEFORE TAXES		129,736	111,680
INCOME TAXES	(15)	(180,718)	(53,192)
PROFIT(LOSS) FROM CONTINUING OPERATIONS		(50,982)	58,488
PROFIT FROM DISCONTINUED OPERATIONS	(16)	7,594	2,000
PROFIT (LOSS) FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		(43,388)	60,488
- NON-CONTROLLING INTERESTS		40,422	(39,239)
- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT		(2,966)	21,249
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(17)	(0.0042)	0.0295
DILUTED EARNINGS PER SHARE (in euro)	(17)	(0.0042)	0.0295

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

3. Statement of comprehensive income

(in thousands of euro)

	2017	2016
PROFIT(LOSS)FROM CONTINUING OPERATIONS	(50,982)	58,488
OTHER COMPREHENSIVE INCOME		
<i>ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS</i>		
- ACTUARIAL GAINS (LOSSES)	2,620	(15,477)
- TAX EFFECT OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	(800)	2,611
SUBTOTAL OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT AND LOSS	1,820	(12,866)
<i>ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS</i>		
- EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	(23,908)	1,603
- NET FAIR VALUE GAINS(LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	4,822	2,168
- NET FAIR VALUE GAINS(LOSSES) ON CASH FLOW HEDGE RESERVE	4,159	2,074
- OTHER COMPREHENSIVE INCOME (EXPENSE)	(954)	280
- TAX EFFECT OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT AND LOSS	(823)	(1,162)
SUBTOTAL OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT AND LOSS	(16,704)	4,963
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME	(14,884)	(7,903)
COMPREHENSIVE INCOME (EXPENSE) FROM CONTINUIG OPERATIONS	(65,866)	50,585
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	7,594	2,000
COMPREHENSIVE INCOME (EXPENSE)	(58,272)	52,585
TOTAL COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:		
OWNERS OF THE PARENT COMPANY	(4,218)	17,977
NON-CONTROLLING INTERESTS	(54,054)	34,608
BASIC COMPREHENSIVE INCOME (EXPENSE) PER SHARE (IN EURO)	(0.0060)	0.0250
DILUTED COMPREHENSIVE INCOME PER SHARE (IN EURO)	(0.0060)	0.0250

4. Statement of cash flows

(in thousands of euro)

	2017	2016
OPERATING ACTIVITIES		
PROFIT(LOSS) FROM CONTINUING OPERATIONS	(50,982)	58,488
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	136,176	129,277
FAIR VALUE LOSSES ON EQUITY ACCOUNTED INVESTMENTS	4,806	2,356
NET ACTUARIAL LOSSES ON STOCK OPTION/STOCK GRANT PLANS	3,430	4,242
CHANGES IN EMPLOYEE BENEFIT OBLIGATION, PROV. FOR RISKS & CHARGES	(37,324)	(2,952)
NET FAIR VALUE GAINS(LOSSES) ON FINANCIAL ASSETS	3,998	(3,827)
LOSSES (GAINS) ON DISPOSAL OF FIXED ASSETS	(22,877)	(20,966)
INCREASE (DECREASE) IN NON-CURRENT ASSETS/LIABILITIES	(4,508)	38,417
DECREASE IN NET WORKING CAPITAL	45,502	8,041
CASH FLOWS FROM OPERATING ACTIVITIES	78,221	213,076
of which:		
- interest paid	(32,945)	(33,133)
- income tax paid	(30,908)	(19,320)
INVESTING ACTIVITY		
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(43,948)	(9,861)
NET CASH OF ACQUIRED COMPANIES	9,983	53
PURCHASE OF NON-CONTROLLING INTERESTS	--	(64,330)
SALE OF SECURITIES	8,143	87,025
SALE OF FIXED ASSETS	14,223	23,636
SALE OF NON-CURRENT ASSETS	(136,158)	(123,874)
CASH FLOWS USED IN INVESTING ACTIVITIES	(147,757)	(87,351)
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES	1,546	11,487
OTHER CHANGES IN EQUITY	(443)	(212)
CHANGE IN OTHER LOAN ASSETS	(8,803)	313
DRAWDOWN/(REPAYMENT) OF OTHER LOANS AND BORROWINGS	46,122	(47,887)
PURCHASE OF TRASURY SHARES OF GROUP COMPANIES	(25,421)	(19,387)
DIVIDENDS PAID	(29,860)	(44,673)
CASH FLOWS USED IN FINANCING ACTIVITIES	(16,859)	(100,359)
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS	(86,395)	25,366
OPERNING CASH FLOW/NET CASH & CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	11,417	2,000
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	320,492	293,126
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	245,514	320,492

5. 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	Share premium reserve	Legal reserve	Fair value reserve	Translation reserve	Reserve for treasury shares	Other reserves	Retained earnings (losses)	Net income (loss) for the year	Total		
BALANCE AT 31 DECEMBER 2015	359,605	--	359,605	5,044	22,644	15,634	(4,176)	--	71,425	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)	--	--	--
Adjustment for treasury share transactions	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Effects of equity changes in subsidiaries	--	--	--	--	--	301	(9)	--	(12,550)	--	--	(12,258)	(73,323)	(85,581)
Comprehensive income for the year	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fair value gains on cash flow hedges	--	--	--	--	--	486	--	--	--	--	--	486	1,091	1,577
Fair value losses of securities	--	--	--	--	--	(274)	--	--	--	--	--	(274)	2,351	2,077
Fair value gains on securities reclassified to profit or loss	--	--	--	--	--	(314)	--	--	--	--	--	(314)	(260)	(574)
Effects of equity changes in subsidiaries	--	--	--	--	--	--	--	--	92	--	--	92	188	280
Translation differences	--	--	--	--	--	--	751	--	--	--	--	751	852	1,603
Actuarial losses	--	--	--	--	--	--	--	--	(4,013)	--	--	(4,013)	(8,853)	(12,866)
Profit for the period	--	--	--	--	--	--	--	--	--	--	21,249	21,249	39,239	60,488
Comprehensive income	--	--	--	--	--	(102)	751	--	(3,921)	--	21,249	17,977	34,608	52,585
BALANCE AT 31 DECEMBER 2016	359,605	--	359,605	5,044	22,644	15,833	(3,434)	--	54,954	87,519	21,249	563,414	943,482	1,506,896
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	85,198	85,198
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	(10,069)	--	(10,069)	(19,791)	(29,860)
Retained earnings	--	--	--	--	941	--	--	--	--	20,308	(21,249)	--	--	--
Adjustment for treasury share transactions	--	(9,594)	(9,594)	--	--	--	--	9,594	(11,364)	--	--	(11,364)	--	(11,364)
Effects of equity changes in subsidiaries	--	--	--	--	--	204	(51)	--	(13,252)	--	--	(13,099)	1,274	(11,825)
Comprehensive result for the year	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fair value gains on cash flow hedges	--	--	--	--	--	980	--	--	--	--	--	980	2,146	3,126
Fair value gains (losses) on securities	--	--	--	--	--	6,689	--	--	--	--	--	6,689	(426)	6,263
Fair value gains on securities reclassified to profit or loss	--	--	--	--	--	(852)	--	--	--	--	--	(852)	(685)	(1,537)
Effects of equity changes in subsidiaries	--	--	--	--	--	--	--	--	(220)	--	--	(220)	(428)	(648)
Translation differences	--	--	--	--	--	--	(8,450)	--	--	--	--	(8,450)	(15,458)	(23,908)
Actuarial gains	--	--	--	--	--	--	--	--	601	--	--	601	1,219	1,820
Loss for the year	--	--	--	--	--	--	--	--	--	--	(2,966)	(2,966)	(40,422)	(43,388)
Comprehensive expense	--	--	--	--	--	6,817	(8,450)	--	381	--	(2,966)	(4,218)	(54,054)	(58,272)
BALANCE AT 31 DECEMBER 2017	359,605	(9,594)	350,011	5,044	23,585	22,854	(11,935)	9,594	30,719	97,758	(2,966)	524,664	956,109	1,480,773

6. Notes to the consolidated financial statements

1. Structure of the financial statements

These consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) issued by the International Accounting Standards Board ("IASB") and with the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Union in force at 31 December 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 profit or loss.

The consolidated financial statements at 31 December 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 consolidation scope; these correspond to their financial statements or the consolidated statements of sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting policies listed below and, where compatible, with Italian regulations. Please note that IEPL – Institut d'Ecole Primaire Leman S.A. closes its financial statements on 31 July. The company prepares a reporting package at 31 December for the consolidated financial statements of the Parent.

The presentation criteria adopted are as follows:

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

Starting from these consolidated financial statements, in the income statement, "Share of profit (loss) of equity-accounted investees" has been reclassified from operating profit (loss) to financial income (expense). For comparative purposes, this item has also been reclassified in the 2016 income statement..

These 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 measurements, particularly the more complex ones such as the determination of impairment of non-current assets, are generally carried out only when preparing the consolidated financial statements, when all the necessary information is more likely to be available with a reasonable degree of accuracy, except in cases where there are indications of impairment that require an immediate assessment of any impairment losses.

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

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 N.V. ("**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 net equity of approximately € 14.5 million.

It should also be noted that, despite losing control by right, CIR S.p.A. still holds *de facto* control of GEDI Gruppo Editoriale S.p.A. by virtue of the shareholder agreements with the new shareholders.

For further details, please refer to point 2.d. "Change in the consolidation scope".

Publication of the financial statements was authorised by the Company's Board of Directors on 12 March 2018 (as required by paragraph 17 of IAS 10).

2. Consolidation principles

2.a. Consolidation methods

The consolidation scope 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.

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

- the carrying value of each investment is eliminated against the Group's share of its equity and the difference between the acquisition cost and net equity of investee companies is posted, where appropriate, to the asset and liability items included in the consolidation. If there is a balance left over, it 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 on consolidation, as are receivables and payables and unrealised profits on transactions between Group companies, net of tax;
- 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 each investment is eliminated against the Group's share of its equity and any positive difference identified at the time of the acquisition, net of any impairment; the corresponding share of the net 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 they that 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:

	<i>Average exchange rate</i>	<i>31.12.2017</i>	<i>Average exchange rate</i>	<i>31.12.2016</i>
US dollar	1.1297	1.1993	1.1069	1.0541
Swiss franc	1.11167	1.17020	1.09016	1.0739
GB pound	0.8761	0.8872	0.81948	0.85618
Brazilian real	3.6041	3.9728	3.8616	3.4305
Argentine peso	18.7266	22.9305	16.3345	16.7476
Chinese renminbi	7.6266	7.8046	7.3497	7.3201
Indian rupee	73.4754	76.6284	74.3494	71.5820
New Romanian leu	4.5687	4.6585	4.4907	4.5391
Canadian dollar	1.4644	1.5039	1.4664	1.4188
Mexican peso	21.3265	23.6630	20.6569	21.7723
Moroccan dirham	10.9493	11.2360	--	--
Hong Kong dollar	8.8013	9.3721	8.5903	8.1753

2.c. Consolidation scope

The consolidated financial statements at 31 December 2017 and those of the previous year are the result of the consolidation of Cofide (Parent) and all of the companies directly or indirectly controlled, jointly controlled or associated at those dates. Assets and liabilities scheduled for disposal are reclassified to specific asset and liability items to highlight these circumstances.

A list of the equity investments included in the consolidation scope, with an indication of the consolidation method used, is 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 and associates deemed relevant for the Group.

For these purpose 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 revenue.

At 31 December 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>	2017	2016
Revenue	72,614	80,804
Profit for the year	10,771	15,370
Comprehensive income	10,744	15,416
Non-current assets	131,729	144,303
Current assets	32,346	38,625
Total assets	164,075	182,928
Non-current liabilities	34,843	49,199
Current liabilities	29,246	31,579
Total liabilities	64,089	80,778

2.d. Change in the scope of consolidation

The main changes in consolidation scope 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 increase in capital, CIR S.p.A. lost control by right of GEDI Gruppo Editoriale S.p.A., while still maintaining *de facto* control by virtue of the shareholder agreements with the new shareholders.

As a result of this transaction, GEDI acquired control of the ITEDI Group on 27 June 2017. The consolidation date was 30 June 2017, so the income statement of the GEDI group for 2017 includes the ITEDI group starting from 1 July.

During the six months ended 30 June 2017, the ITEDI Group generated revenues of € 62,322 thousand and a net loss of € 1,917 thousand. If the acquisition had taken place on 1 January 2017, consolidated revenues would have amounted to € 686,569 thousand and the consolidated loss for the period would have been € 125,312 thousand. When calculating these amounts, it was assumed that the fair value gains or losses at the acquisition date would have been the same even if the acquisition had taken place on 1 January 2017.

Post-contribution corporate transactions

The integration between GEDI and the ITEDI Group meant that it was appropriate to carry out a corporate reorganisation within the group, merging companies that performed similar activities under the direct or indirect control of GEDI in order to simplify governance, also by eliminating any duplication of activities and functions.

To this end, the following corporate transactions were carried out during the year:

- the deed of transfer of the ITEDI Press Division (Turin printing plant) to Rotocolor S.p.A. was finalised on 25 September, with effect from 1 October; all daily newspaper printing activities, carried out in 8 plants (Rome, Livorno, Turin, Milan, Mantua, Sassari, Padua and Gorizia) were therefore centralised in Rotocolor S.p.A., whose name was then changed to GEDI Printing S.p.A.;
- the merger deed between Publikompass and Manzoni was signed on 25 October, with effect from 1 November 2017, making the integration of the two advertising agencies with A. Manzoni & C. S.p.A. definitive;
- a deed was signed on 25 October, with effect from 1 November 2017, for the spin-off of the Elemedia digital area in favour of Nexta, which then took the name of GEDI Digital S.p.A., completing the process of integrating all digital activities of the Group in a single company, in line with the Group model; lastly, the merger by absorption of ITEDI S.p.A. by Finegil S.p.A. was completed on 29 December 2017, as approved by the respective Extraordinary Shareholders' Meetings held on 25 October 2017. At the same time, Finegil changed its name to GEDI News Network SpA (GNN SpA), its registered office was transferred to Turin and a new organisational structure and line of governance was defined. Within GNN, already organised into three operating divisions, a new operating division (North-West) was established, which includes the publishing and management activities of the former ITEDI.

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 is the same as 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 year, the GEDI Group incurred costs for the transaction of € 792 thousand, including legal expenses, reporting and advisory costs; these costs have been recognized in equity, in accordance with the international financial reporting standards for business combinations carried out through the issue of equity instruments.

Identifiable assets acquired and liabilities assumed

For the purposes of recognition of the fair value of the assets acquired and liabilities assumed, as well as for the recognition of goodwill, the Purchase Price Allocation (PPA) was carried out in accordance with IFRS 3. The PPA, prepared with the support of PricewaterhouseCoopers Advisory S.p.A., a consultancy with long-standing knowledge of the company, led to the recognition of the fair value of the two core assets identified in the newspapers *"La Stampa"* and *"Il Secolo XIX"*, as well as deferred tax assets recognised on tax losses that had not been recorded in the ITEDI Group companies because they were not considered recoverable on an autonomous basis. The goodwill deriving from the acquisition was then determined on a residual basis.

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

	Notes	Amount € thousand
Assets		
Intangible assets with an indefinite useful life - Titles	7.a.	77,682
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
Loan assets	8.d.	50
Cash and cash equivalents	8.g.	8,965
Total assets		148,642
Liabilities		
Other non-current borrowings	10.b.	8,066
Deferred tax liabilities	7.h.	22,685
Employee benefit obligations	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.	14,388
Provisions for risks and charges (current portion)	10.d.	17,267
Total liabilities		104,128
Provisional fair value of net assets		44,514

The value of the two newspapers was restated at a total of € 77,682 thousand and, against recognition of this value, deferred tax liabilities of € 21,673 thousand were recorded. In addition, deferred tax assets for tax losses amounting to € 6,209 thousand were booked, as well as goodwill of € 32,929 thousand on a residual basis.

The estimate of the value to be attributed to the two newspapers was made by applying the so-called "Multi-Period Excess Earnings Method" method ("MEEM"), generally used in valuations to

express the value of intangible assets considered as a "dominant strategic asset", i.e. the asset that determines the competitive advantage of the company.

This method is based on the principle that, since all of the productive factors contribute to the generation of the company's income, the income pertaining to the dominant strategic asset - in this case the two newspapers - can be calculated on a residual basis, subtracting from total income the normal remuneration of all the other tangible and intangible productive factors that make up the company. In this way, the fair value of the strategic asset reflects the competitive advantage and consequently the extra-income of the company.

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
Fair value of the net assets	(44,514)
Deferred tax assets	(6,209)
Goodwill	32,929

■ **AUTOMOTIVE COMPONENTS**

Note that during the year the subsidiary Sogefi Suspension S.A. increased its holding in the subsidiary S.ARA Composite S.A.S. from 95.65% to 95.79% and that the subsidiary Sogefi Suspensions S.A. increased its holding in the subsidiary Alleward IAI Suspensions Pvt Ltd from 74.23% to 75.67%.

It should also be noted that the subsidiary Sogefi Filtration S.A. set up the companies Filter Systems Maroc S.a.r.l. and Sogefi Filtration Russia LLC; moreover, with a view to streamlining the group's corporate structure, Sogefi S.p.A. set up two new companies in 2017, Sogefi Suspensions Heavy Duty Italy Srl and Sogefi Suspensions Passenger Car Italy Srl, to which Sogefi Filtration Italy S.p.A. transferred, as beneficiaries in a spin-off transaction, the two business units involved in the production of components for the heavy duty and automotive sector respectively. Subsequently Sogefi S.p.A. transferred the investments in Sogefi Filtration Italy S.p.A. and Sogefi Suspensions Heavy Duty Italy Srl and Sogefi Suspensions Passenger Car Italy Srl, respectively, to the French subsidiaries Sogefi Filtration S.A. and Sogefi Suspensions S.A. to subscribe the two French sub-holding companies' increase in capital.

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

■ **HEALTHCARE**

During 2017, KOS 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, the acquisition of the "Barbarano" care home business unit for € 2,970 thousand, which led to goodwill of € 2,770 thousand, the purchase of Psicogest S.r.l. and Ecomedica S.p.A., which led to goodwill of € 2,562 thousand and € 18,262 thousand respectively against prices paid of € 5,728 thousand and € 20,984 thousand respectively, as well as the purchase of Villa Margherita S.r.l., which led to goodwill of € 18,890 thousand against a price paid of € 18,771 thousand.

■ **OTHER COMPANIES**

It should be noted that during the second half of 2017 the subsidiary CIR International S.A. sold its investment in the securitisation company Zeus Finance S.r.l., and that the liquidation of the subsidiary Cirinvest S.r.l. was completed in December.

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 Espresso Group's newspaper/magazine titles and TV/radio frequencies that are considered intangible assets with an indefinite useful life.

The carrying amount 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 for impairment tested.

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 losses. 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)

Property, plant and equipment 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.

Non-current 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 available at the time 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 segments in which the Group operates.

If there is a negative difference between these values and the carrying amount, 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 year in which they can be claimed.

3.d. Leases (IAS 17)

Leases 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 such a way as 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 amount 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 amount of intangible assets and property, plant and equipment (including capitalised development costs) are recoverable, in order to determine whether the assets have suffered impairment. If such evidence exists, the carrying amount 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 segment. An impairment loss is recognised if the recoverable value is lower than the carrying amount.

If at a later date the loss on an asset (other than goodwill) no longer exists or is less than it was, the carrying amount 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 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 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 amounts 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 amount 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 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 recognised 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 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 (losses 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 policies 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 year 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 revenues are 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 benefit(TFR) regulations, introducing the option for workers to transfer their indemnity maturing after 1 January 2007 to selected pension schemes. Therefore, all post-employment benefit accrued as 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 year, 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 employee benefit obligation) 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 translation (IAS 21)

The Group's functional currency is the euro and this is the currency in which its consolidated 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 amounts 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 year.

Exchange rate 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 amount 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 amount 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 consolidated financial statements involves showing the after-tax income and losses resulting from the sale on a separate line in the income statement. Similarly, the assets and liabilities have to be shown on a separate line in the statement of financial position.

3.w. Earnings per share (IAS 33)

Basic earnings per share are determined by dividing profit attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares in circulation during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account all potential ordinary shares, for example deriving from the possible exercise of assigned stock options 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 year they are incurred.

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

Any subsequent changes in this fair value are recognised as an adjustment to the original accounting treatment 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 non-controlling 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 non-controlling interests (measured using one of the methods permitted by the financial reporting standard) and the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.

The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition are accounted for at their fair value on the date of acquisition. Any positive difference between the acquisition cost and the fair value of the Group's share of net assets acquired is recognised as goodwill or, if negative, charged to the income statement. After initial recognition, goodwill is valued 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 loss.

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 non-controlling interests acquired are recognised in equity attributable to the owner of the parent. Likewise, sales of non-controlling interests not involving loss of control do not generate gains/losses in the income statement, but changes in equity attributable to the owner of the parent.

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

3.y. Use of estimates

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

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

The items mainly affected by this use of estimates are goodwill, deferred taxes, provisions for risks and charges, employee benefit obligations 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 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 or 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 or 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 year.

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 amount 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 suffer impairment. In such cases, the gains and losses accrued to equity up to that point are recognised to the income statement.

This item also includes insurance policies subscribed by CIR Investimenti S.p.A. These are 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 consolidated financial statements is based on the communications received from the insurance companies.

It should be noted that capitalisation policies (so-called Class I) have been reclassified in level 3 of the fair value hierarchy while, as in previous years, whole-life insurance policies with yields tied to unit-linked funds and other financial products (so-called Class III and Class V) are classified in level 2 of the fair value hierarchy.

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 a regular transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

The fair value hierarchy has three levels:

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

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

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

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

6. Adoption of new standards, interpretations and amendments

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

The following accounting standards, amendments and interpretations were applied for the first time by the Group with effect from 1 January 2017:

- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19 January 2016). The document clarifies the accounting of deferred tax assets relating to debt instruments measured at fair value.
- Amendment to IAS 7 "Disclosure Initiative" (published on 29 January 2016). This document provides clarifications intended to improve the disclosures made about consolidated financial liabilities. In particular, the amendments require disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Document "Annual Improvements to IFRS Standards 2014-2016 Cycle" (published on 8 December 2016). The amendments introduced concern IFRS 12 - Disclosure of Interests in Other Entities. In particular, 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.

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 31 December 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 revenue 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 been adopted by the European Union by publishing them on 9 November 2017.

The Group has carried out an analysis of the effects of first-time application of IFRS 15 from 1 January 2018. The results of the analyses carried out by sector are shown below.

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 Sogefi group concluded that the supply of goods represents a separate performance obligation, while the development of the production process and the supply of tooling do not meet the requirements to be identified as separate performance obligations in the contracts with producers.

Therefore, with reference to the method of recognition of revenue deriving from contracts with car makers, the Sogefi group concluded that:

- for the supply of goods, control is transferred to customers on shipment/delivery of the goods, so the revenue will be recognised at that moment in time; this is no different from the current revenue recognition policy for this contract obligation;
- the development of a production process does not meet the requirements to be considered a separate performance obligation (the related revenue will be recognized over the same period of time of the performance obligation for the supply of goods); this, however, does not constitute a change in the method of recognizing revenues of these contractual obligations compared with the current situation;
- the supply of tooling does not meet the requirements to be identified as a separate performance obligation, so revenue will be recorded with the same timing as the supply of goods. This is because tooling is used by the Sogefi group exclusively to supply the specific asset ordered by the customer and the customer does not really have an option to obtain the production of such specific goods from another supplier through the use of tooling. Contracts with customers have different forms in the various jurisdictions where the Sogefi group operates (legal ownership of tooling could be transferred to the customer before the start of mass production for a fixed fee or at the end of mass production, or the revenue from the sale of the tooling could be included in the selling price of the individual goods). At present, revenue for the contractual obligation related to the supply of tooling are recorded on the

basis of the contractual provisions, with specific reference to the transfer of ownership of the tooling to the customer.

By modifying the method of recognising the revenue deriving from the contractual obligation to supply tooling, the Sogefi group will also modify the accounting policy on costs for the production/purchase of tooling. These costs will be capitalised under "Tangible assets" and depreciated over the year that the goods are supplied to the customer (these costs will therefore no longer be recognised in the income statement). Costs related to the development of prototypes (currently recognised in the income statement) will also be capitalised under Intangible assets and amortised over the year that the goods are supplied to the customer.

The average period that goods are supplied to the customer has been conventionally defined by the Sogefi group over 4 years on the basis of historical experience. Over this period, revenue of the contractual obligations relating to the development of the production process and the supply of tooling will be recognised and the costs for production/purchase of tooling will be amortised.

The Sogefi Group has analysed the contractual obligation 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 revenue from customers of the after market segment. This is due to costs for "marketing contributions" provided to customers who meet the definition of "consideration payable to customers" given in IFRS 15 and that have to be shown net of revenue.

The Sogefi group has estimated the effects of first-time application of the standard on the consolidated financial statements. The estimate of these effects on the shareholders' equity of the Sogefi group at 1 January 2018 is based on the valuations made so far. Note that the actual effects of adopting the standard may change as the Sogefi group has not yet finished updating the information systems needed to handle the new standard.

The results of the analysis available to date show a reduction in equity, for the part belonging to the COFIDE Group, at 1 January 2018 of € 6.0 million (gross of the tax effect). It should also be noted that the new accounting policy mentioned above relating to tooling and prototypes, will result in a reduction in "Sales revenue" and "Costs for the purchase of goods" and an increase in "Depreciation".

The Sogefi group intends to restate the first comparative period at the date of first-time application of IFRS 15.

With reference to the media sector, the GEDI group has identified impacts relating to the recognition of revenue deriving from the circulation business, where the Publisher should record revenue on the basis of the cover price, gross of all extras, including the part paid to newsagents. Under IFRS 15, the Publisher is considered Principal in the execution of the performance obligation because the risk of unsold goods and the price are under their control, including the part paid to newsagents. As a consequence, and unlike the current accounting treatment, this extra will also be recognised as a distribution cost and will no longer be shown as a reduction in revenue. Unit revenue will therefore be equal to the cover price.

As a result of the preliminary analyses explained above, the application of IFRS 15 on the figures of the 2017 consolidated financial statements of the GEDI group would have led to an increase in publishing revenue of € 64.5 million and a corresponding increase in distribution costs for the

same amount, shown under costs for services, so with no impact on equity, the operating result or profit for the year.

The contractual obligations relating to the advertising agency were also analysed, concluding that the situation on which the service reflects the role of an Agent, given that it does not control the performance obligation, so it is meant to show the related costs and revenues on a net basis.

Consequently, the application of IFRS 15 to the figures of the 2017 consolidated financial statements of the GEDI group would have resulted in a reduction in advertising revenue of € 86.9 million and a corresponding reduction in publisher fees from advertising sales on behalf of third-party publishers under costs for services, so with no impact on equity, the operating result or profit for the period.

Lastly, as regards the healthcare sector, the KOS group analysed the effects of first-time application of IFRS 15 on its consolidated financial statements. The group does not expect significant impacts on the recognition, quantification and measurement of customer revenue. It should be noted that the actual effects of adopting this standard may change as the group has not yet completed the verification and assessment on the controls of the IT systems and the new accounting policies could be modified.

- 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 has to be applied in financial statements beginning on or after 1 January 2018.

The Group will adopt IFRS 9 Financial Instruments from 1 January 2018, making use of the exemption allowing it not to recalculate the comparative information of previous years relating to changes in classification and measurement, including impairment losses. The differences in the book values of financial assets and liabilities arising from the adoption of IFRS 9 will be recognised under retained earnings as of 1 January 2018. Furthermore, during first-time application, it is possible to decide whether to continue applying the hedge accounting provisions envisaged by IAS 39 or adopt those envisaged by IFRS 9. The Group intends to continue applying the provisions of IAS 39 during the transition phase, applying the hedge accounting rules envisaged by IFRS 9 only prospectively.

During 2017, an analysis was carried out on the impact of the aspects dealt with in IFRS 9.

On the basis of the activities carried out so far, the Group expects that there may be negative effects on equity due to recognition of further possible losses on financial assets following application of the expected credit loss model introduced by IFRS 9, in place of the incurred credit loss model envisaged by IAS 39.

Moreover, IFRS 9 introduces new instructions for the classification and measurement of financial assets that reflect the business model according to which these assets are managed and the characteristics of their financial flows. IFRS 9 classifies financial assets in three main categories: at amortised cost, at fair value through profit or loss (FVTPL), at fair value in other comprehensive income statement (FVOCI). The categories envisaged by IAS 39, namely held to maturity, loans and receivables and available for sale, have been eliminated. Furthermore, according to IFRS 9, derivatives embedded in contracts where the primary element is a financial asset that falls within the scope of the standard must never be separated. Instead, hybrid instruments are to be examined for classification purposes as a whole.

According to the assessment carried out by the Group, the new classification criteria are not expected to have a significant effect on the accounting treatment of trade receivables, loans and investments in securities and financial assets available for sale that are managed on a fair value basis. In particular, with effect from 1 January 2018, the securities and financial investments classified as "financial assets available for sale" will be classified according to IFRS 9 in "fair value through profit or loss (FVTPL)".

Note that the effects of adopting the new standard may change as the Group has not yet completed the verification and assessment of controls on the changes made to information systems; furthermore, the new accounting policies may be subject to change up to the moment of presentation of the first consolidated financial statements of the Group which includes the date of first-time application.

- 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 contra-entry. The standard also provides an option not to recognize as leasing 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 outstanding contracts.

- "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 under IFRS 1 as they are no longer of any benefit. The amendments are effective for years beginning on 1 January 2018;

- IAS 28 – Investments in associates and joint ventures - The amendment clarifies that the option for a venture capital investment firm or other such qualified entity to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method) is to be made for each individual investment at the time of initial recognition. The amendments are effective for the year beginning on 1 January 2018.

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

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

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

- 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.
- 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.
- Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). These changes clarify the transfer of a building to or from the category of investment property. In particular, an entity has to reclassify a building to or from investment property only when there is evidence that there has been a change of use. Such a change must be linked to a specific event that has taken place, which means that it should not be limited to a change in management's intentions. These amendments will apply from 1 January 2018, but earlier application is allowed.
- Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2014). This document was published in order to resolve the current conflict between IAS 28 and IFRS 10 on how to measure the gain or loss deriving from the transfer or contribution of a non-monetary asset to a joint venture or associate, in exchange for an equity interest in the latter. The IASB has currently suspended this amendment.
- IFRIC 23 – Uncertainty over income tax treatments. In June 2017, the IASB published IFRIC 23 - Uncertainty over income tax treatments. The interpretation clarifies the application of recognition and measurement requirements under IAS 12 Income Taxes when there is uncertainty about the tax treatment. The amendments are effective for the year beginning on 1 January 2019.
- Amendment to IFRS 9 "Prepayment features with Negative Compensation" (published on 12 October 2017). The amendment proposes that the amortised cost method or the fair value through other comprehensive income, depending on the business model adopted, could be applied to financial instruments with prepayment, which could give rise to a negative compensation.

- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017). The amendment clarifies that IFRS 9 should be applied to long-term receivables from an associate or joint venture, which, in substance, form part of the net investment in the associated company or joint venture. The amendment also provides that IFRS 9 should be applied to these receivables before the application of IAS 28, so that the entity does not take into account any adjustments to the long-term interests deriving from application of the IAS. The amendments are effective for the years beginning on or after 1 January 2019, but earlier application is permitted.
- Document "Annual Improvements to IFRS Standards 2015-2017 Cycle" (published on 12 December 2017). The changes introduced, which are part of the normal process of rationalisation and clarification of international financial reporting standards, concern the following: IAS 12 Income Taxes, IAS 23 Borrowing Costs and IFRS 3 Business Combination.

Statement of financial position

7. Non-current assets

7.a. Intangible assets

2016	Opening position			Movements during the year							Closing position		
	Original cost	Accumulated amortisation and write-downs	Balance 31/12/2015	Additions	Business combinations/disposals		Exchange rate differences	Other changes	Net disposals cost	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2016
					increases	decreases							
(in thousands of euro)													
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development expenses													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	184,220	(104,857)	79,363	18,654	--	--	--	10,712	(60)	(27,278)	211,718	(130,327)	81,391
Industrial patents and intellectual property rights	48,875	(17,728)	31,147	1,044	--	--	1	1	--	(2,912)	49,246	(19,965)	29,281
Concessions, licences, trademarks and similar rights	82,297	(68,562)	13,735	3,028	--	--	(42)	740	(4)	(3,177)	84,767	(70,487)	14,280
Titles and trademarks	388,002	--	388,002	--	--	(7,245)	--	--	--	(4,440)	376,317	--	376,317
Frequencies	87,278	--	87,278	96	--	--	--	--	--	--	87,374	--	87,374
Goodwill	902,017	(541,836)	360,181	--	7,230	--	(1,043)	1,138	(1,517)	(1,798)	906,334	(542,143)	364,191
Assets under development and payments on account													
- purchased	7,674	--	7,674	110	--	--	49	(1,759)	--	--	6,074	--	6,074
- produced internally	15,493	(1,211)	14,282	9,995	--	--	103	(9,769)	--	(414)	15,846	(1,649)	14,197
Other	26,968	(10,978)	15,990	89	--	(5)	(15)	--	(1)	(1,160)	27,156	(12,258)	14,898
Total	1,742,860	(745,208)	997,652	33,016	7,230	(7,250)	(947)	1,063	(1,582)	(41,179)	1,764,868	(776,865)	988,003

2017	Opening position			Movements during the year							Closing position		
	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2016	Additions	Business combinations/disposals		Exchange rate differences	Other changes	Net disposals cost	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance at 31/12/2017
					increases	decreases							
(in thousands of euro)													
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development expenses													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	211,718	(130,327)	81,391	15,215	--	--	(2,954)	10,554	(135)	(30,854)	214,872	(141,655)	73,217
Industrial patents and intellectual property rights	49,246	(19,965)	29,281	3,533	655	--	--	2	(139)	(3,476)	61,249	(31,393)	29,856
Concessions, licences, trademarks and similar rights	84,767	(70,487)	14,280	6,707	1,299	--	(71)	(22)	--	(3,974)	98,962	(80,743)	18,219
Titles and trademarks	376,317	--	376,317	--	77,682	--	--	--	--	--	453,999	--	453,999
Frequencies	87,374	--	87,374	1	--	--	--	--	--	--	87,375	--	87,375
Goodwill	906,334	(542,143)	364,191	40,083	36,145	--	(213)	1	--	(617)	988,535	(548,945)	439,590
Assets under development and payments on account													
- purchased	6,074	--	6,074	4,833	--	--	(47)	(4,710)	(2)	--	6,148	--	6,148
- produced internally	15,846	(1,649)	14,197	9,042	--	--	(853)	(6,008)	--	(889)	18,313	(2,824)	15,489
Other	27,156	(12,258)	14,898	1,130	--	--	(44)	114	(262)	(1,400)	27,766	(13,330)	14,436
Total	1,764,868	(776,865)	988,003	80,544	115,781	--	(4,182)	(69)	(538)	(41,210)	1,957,255	(818,926)	1,138,329

AMORTISATION RATES

	%
Capitalised development expenses	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%

Intangible assets rose from € 988,003 thousand at 31 December 2016 to € 1,138,329 thousand at 31 December 2017. The increase in "Titles and trademarks" refers to the completion of the Purchase Price Allocation (PPA), as part of the integration of the ITEDI group, which led to the recognition of the fair value of the two core assets identified in the newspapers "La Stampa" and "Il Secolo XIX". The increase in "Goodwill" refers for € 40,083 thousand to the acquisitions carried out during the year by the KOS group and for € 32,929 thousand to the acquisition of the ITEDI group.

GOODWILL, TRADEMARKS AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

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

Titles and trademarks:

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
la Repubblica	229,952	229,952
Local newspapers	143,056	143,056
La Stampa and Il Secolo XIX	77,682	--
Other titles and trademarks	3,309	3,309
Total	453,999	376,317

The changes in this item, compared with 31 December 2016, refers to the 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.

Frequencies:

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Radio frequencies	87,375	87,374
Total	87,375	87,374

Goodwill:

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Media (GEDI Group)	35,662	2,733
Healthcare (KOS Group)	275,290	232,820
Automotive sector (Sogefi Group)	128,638	128,638
Total	439,590	364,191

The change for the period in the Media segment relates to the recognition of the fair value of the assets and liabilities of the ITEDI Group.

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

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

In order to perform the impairment test of goodwill and other intangible assets with an indefinite useful life, the recoverable value of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to its value in use or its fair value less disposal 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 financial markets and the real economy: guidelines" issued by the O.I.V. (Italian Valuation Board).

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

The cash flows of the single operating units 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 segment.

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

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

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

- 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 disposal 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 of disposal or its value in use, if both were available.

Summary of the results of impairment testing

The impairment tests carried out on the goodwill allocated to the Media, Healthcare and Automotive Sectors, using the cash flow method and other valuation methods, ascertained the absence of impairment losses.

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

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

Media

The impairment test on the Media sector, which coincides with the Gedi Group's consolidation scope, was applied to intangible assets with an indefinite useful life, i.e. titles and trademarks, with a carrying amount of € 454.0 million, radio frequencies, with a carrying amount of € 87.4 million, and the goodwill allocated to the sector for a total of € 35.7 million.

The amounts for 2017 include allocation of the effects deriving from the integration of ITEDI. In particular, following the Purchase Price Allocation carried out by an external consultant, a fair value of intangibles (newspapers) was identified for a value of € 77,682 thousand (€ 56,009 thousand, net of related deferred tax liabilities) and a value of € 32,929 thousand was recognised under Goodwill. The two newspapers "*La Stampa*" and "*Il Secolo XIX*" were considered as a single CGU (GEDI News Network)

The impairment test made at the end of 2017 on the newspapers, radio frequencies, trademarks and goodwill established that there were no impairment losses that had to be recognised. The higher of fair value less costs of disposal and value in use was used for estimating the recoverable value of each asset.

The following is the principal information used to prepare the impairment test for each CGU or group of CGUs with a significant value:

- for national (*La Repubblica*) and GEDI News Network newspapers, value in use was used;
- for radio frequencies and the DeeJay brand, the fair value criterion was used;
- for goodwill relating to Group companies active in the digital sector, the fair value criterion was used.

Value in use of the cash generating units (CGUs) 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.

In other words, the value in use was estimated by applying the Discounted Cash Flow model, in the unlevered (or "asset side") version, using the approach that includes discounting expected cash flows over the year of the forecasts and calculating the terminal value after that time horizon.

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

The so-called "post-tax" approach was adopted for the calculation of value in use and the discount rate. This approach is recognised by the IFRS, OIC and OIV and exceeds the limits of the so-called "pre-tax" approach, which is a subject of debate in the professional community to simplify estimating the effects of the so-called "tax shield".

The discount rate is estimated net of tax, in accordance with the configurations of the cash flows to be discounted. In this case, the WACC of the GEDI Group was adopted, which at 31 December 2017 came to 6.58%.

The impairment tests conducted at 31 December 2017 are based on forecasts of the cash flows expected by the CGU, as reported in the 2018 Budget and 2018-2020 Three-Year Plan approved by the Board of Directors on 26 January 2018, with reference to the results and business goals. To be consistent with the impairment test carried out at 31 December 2016, no extrapolation of the forecast data was necessary for further years following the explicit period, as all of the strategic actions will be implemented by 2020. The last year of the explicit forecast contained in the approved business plan (e.g. 2020) is therefore considered representative of a normal situation that can be used to estimate the terminal value.

In view of the foregoing, in the present year we therefore assumed that the terminal value was estimated with reference to a terminal flow (or "fully operational"), which coincides with the normalised income determined on the basis of the gross operating income expected in the last year of the forecast period (2020), from which we deducted the outlays for normalised investments, as well as theoretical taxes on operating income.

The change in trade working capital is assumed to be zero in the terminal value, in line with general practice. It should also be noted that, assuming that the business is a going concern and in line with the practice of calculating the terminal value, the value of depreciation and amortisation coincides with that of the investments. We also assumed that the growth rate "g" is zero.

To determine the "fair value less costs of disposal" we used a different approach for the operating divisions in the publishing sector, to which the newspapers, magazines and radio frequencies have been allocated. More precisely:

- a. for the operating divisions of the publishing sector, we made reference to direct valuation multiples; this approach was necessary because of the lack of an active transfer market for similar cash-generating units, as well as the problems involved in comparing market transactions in units similar to the ones being verified;
- b. for radio frequencies, a price/users type empirical multiple was used, observing transfer prices for similar frequencies in relation to the population reached by the signal;

In order to determine the fair value less selling costs of the Publishing CGUs, "entity side" multipliers were used, either in the trailing version (historical/current multipliers) or in the leading version (expected/average multipliers): Enterprise Value/Sales, Enterprise Value/gross operating profit(loss) and Enterprise Value/EBIT. The multipliers used derive from the estimates reported by Bloomberg with reference to the average of the multiples for a panel of companies comparable with the GEDI Group in the 2017-2020 time horizon, in such a way as to consider both current ("trailing") multiples and perspective ("leading") multiples and reduce the variability connected to the use of prospective values (involving an estimate).

With regard to the reference business sizes, for each cash generating unit are considered, in accordance with the type of multiple to be applied, their sales, gross operating profit(loss) and operating profit(loss); in particular, for the values to be tested at the reference date of the impairment test, the reference business sizes were determined as the average for the period 2017-2020, consistent with the time horizon of the multiple.

To determine the fair value less costs of disposal, the average value resulting from application of the three multipliers mentioned above is therefore taken into account.

We estimated the fair value less costs of disposal of the radio units on the basis of transfer prices for similar frequencies to those being tested in relation to the population potentially reachable by the signal. The use of this valuation approach makes it possible to estimate the fair value of frequencies, correlating the price that the market is prepared to pay for the frequency with the number of inhabitants reachable by the signal. In applying this method, transactions involving radio frequencies on the Italian market were analysed, defining "price" intervals for radio frequencies related to the number of people reached by the signal (the so-called "illumination" of the broadcasting system); these "price" intervals range from 1.54 times (average value obtained from the latest market transactions relating to radio acquisitions for which the figures were publicly available) and 2.25 times (value obtained from the acquisition of frequencies by the GEDI Group) the number of inhabitants potentially reachable by the signal.

The impairment tests made at 31 December 2017 are based on forecasts of the cash flows expected from the reference CGUs, taken from the 2018 Budget and the 2018-2020 Three-Year Plan approved by the Board of Directors on 26 January 2018. It is also worth remembering that, in line with the recommendations issued by Consob together with the Bank of Italy and ISVAP in the Documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, the GEDI Group's impairment testing procedure was subjected to prior examination and assessment by the Control and Risk Committee and the Board of

Statutory Auditors and approved by the Board of Directors on 26 January 2018; subsequently, the impairment test document was approved by the Board of Directors in a previous separate point on the agenda of the board meeting in which the financial report was approved.

The main assumptions underlying the forecast plans of the publishing CGUs are summarised below with the trend in advertising and circulation revenues, the contribution deriving from collateral initiatives linked to the newspapers and the evolution of costs.

Advertising revenue

It is assumed that 2018 will be substantially more stable than 2017 as far as the advertising market is concerned. This is also due to the slight growth expected in the GDP (+1.4%), which is still insufficient to reverse the trend in investments. For the rest of the plan, it is assumed that the advertising market will have limited growth.

With regard to the individual segments, the share is likely to remain substantially in line with what we have seen in recent years. This would involve: for the press, a further contraction in market weighting and therefore a greater decline in investments; for radio and television, a performance slightly better than the market; for the internet, maintenance of the share and therefore growth in line with the market.

Market trends were reflected in the business plans of the Group's publishing CGUs for the years 2018-2020, assuming a drop in advertising on paper publications substantially in line with the evolution expected for the market, and an increase in online advertising.

Circulation revenues

Forecasts for 2018 regarding sales at newsagents of the Group's daily newspapers are based on market trends during the period 2007-2017.

Based on ADS data, during that period kiosk and subscription sales of daily newspapers fell by 52.6% (an annual average of -7.2%), from a daily average of 4.8 to 2.3 million copies. By segment, the national dailies providing information and sports news have fared worst, declining since 2007 by 62.1% (an annual average of -9.3%) and -57.5% (an annual average of -8.2%) respectively, while the sales of local newspapers have dropped by 46.1% (-6.0% per annum). This negative trend has accelerated significantly in recent years however. The latest figures available at the time of preparation of the 2018 Budget (ADS in October) indicated an overall drop in newsagents' sales and subscriptions of 8.9% (-15.5% for national newspapers and -7.0% for local newspapers) in 2017.

In view of these trends, the budget provides for a market evolution in 2018 similar to that of 2017; for the rest of the plan, it is assumed that this decline will be mitigated.

Alongside the structural decline in printed copies, the plan assumes growth in revenue of the digital editions of daily newspapers, accessed by tablets, PCs and mobile phones; in particular, it is assumed that premium content (paywall) will be introduced to the websites of all of the newspapers.

Lastly, the 2018-2020 plans envisage an increase of € 0.10 in the cover prices of daily newspapers to partly offset the effect on revenue deriving from the fall in the number of copies sold.

Optional products

The budgets for 2018 and subsequent years of the plan envisage a substantial stability in margins from optional products sold together with daily newspapers.

Costs

With regard to cost trends, the forecasts for 2018-2020 take account of a series of cost-saving measures taken by all companies:

- reduction in the print runs and pages of all titles following the predictable decline in their circulation and advertising revenue;
- further rationalisation of the industrial structure and efficiency gains at all printing centres;
- a reduction in the labour cost of printing personnel;
- a reduction in editorial costs by holding down expenses on bordereau, photographs and agency fees, as well as in the labour cost of journalists;
- optimisation of returns and efficiencies in the distribution process;
- reductions in all principal general costs (rentals, advisory services, telephone, travel etc.).

Over the plan period, these cost reduction efforts will compensate for the natural increase in payroll costs and printing supplies.

For those CGUs which show newspapers or goodwill with a value that is material for the purposes of the consolidated financial statements and for which the results of the impairment test indicate a positive difference between their fair amount less costs of disposal or value in use compared with their carrying amount that is less than the threshold of 50%, we also performed a sensitivity analysis on the results to see how sensitive they were to changes in the basic assumptions.

A second level impairment test has therefore been carried out on the company as a whole to verify the recoverability of the carrying value of all the CGUs and of the corporate costs/assets of the business as a whole, not allocated to the CGU level.

The second level impairment test was made by considering the sum of the cash flows of each CGU, already tested during the first level impairment test, as well as the valuation of non-allocated costs. This involved estimating the present value of corporate costs (not allocated to the CGU); the present value of these costs has been considered as a reduction in the overall value of the company and has been estimated using after-tax cash flows and an after-tax discount rate similar to those used in the first level test.

For the projection of corporate costs and the determination of cash flows, we have used criteria in line with those applied for the first level impairment test in terms of the explicit forecast period and in terms of growth (beyond the explicit forecast period). In particular, over the Plan period, it has been assumed that there would be a gradual reduction in corporate costs, also including management and administration costs (consultancy, rent, travel expenses, etc.), as already implemented by the Group in recent years. The discount rate used was 6.58% and the terminal value was assumed to be equal to the flow of the last year of the plan (2020).

The impairment test carried out on the entity as a whole did not indicate any loss in value.

Automotive sector

The goodwill allocated to the Automotive sector, which coincides with the Sogefi sub-group, amounts to about € 129 million. The Group has therefore allocated all of the goodwill to a single "Automotive" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs based on the approach taken by management of the Sogefi sub-group.

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

- fluid filters;
- air filters and cooling;

- car suspension components.

A test was carried out to check for any impairment of goodwill by comparing the carrying amount of the Automotive CGU with its value in use, represented by the present value of the future cash flows expected to arise from continuing use of the asset being tested for impairment.

The Unlevered DCF method was used, based on projections made in the 2018 budget (approved by the Board of Directors on 22 January 2018) and, for subsequent years, the projections included in the 2019-22 Plan (adjusted to exclude the expected benefits of future projects and reorganisations), as approved by the Board of Directors on the same date. The budget and the plan have been developed taking account of forecasts for the automotive industry, as elaborated by the most important sector sources. The discount rate based on the weighted average cost of capital is equal to 8.89%.

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

Lastly, the terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% and an operating cash flow based on the last year of the multi-year business plan (2022), adjusted to project a stable situation into perpetuity, using the following key assumptions:

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

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

- financial structure of the sector: 15%
- levered beta of the sector: 1.06
- risk-free rate: 3.2% (annual average for 10-year risk-free government securities of the countries in which the group operates, weighted on the basis of revenue)
- risk premium: 6.3% (risk premium, calculated by an independent source, of the main countries in which the group operates, weighted on the basis of revenue)
- spread on the cost of debt: 3.3% (estimated on the basis of the 2018 budget).

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

- impairment test reaches a level of breakeven with the following discount rates (leaving the growth rate of the terminal value at 2% and all the other assumptions of the plan unchanged): 20.1% for the Filtration CGU, 29% for the Air and Cooling CGU and 13.7% for the Automotive Suspension Components CGU;
- the impairment test reaches a level of break even with a significant reduction in operating profit in the explicit period of the plan which also has a knock-on effect on the terminal value (keeping all the other assumptions of the plan the same): -62.6% for the Filtration CGU, -77.4% for the Air and Cooling CGU and -42.7% for the Car Suspension Components CGU;
- the impairment test reaches a level of break even with the following rates of reduction ("g- rate") in the terminal value (keeping all the other assumptions of the plan the same): -20.9% for the Filtration CGU, -102.8% for the Air and Cooling CGU and -5% for the Car Suspension Components CGU.

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

Lastly, we would point out that the results of the analysis to determine the value in use of the automotive CGU were confirmed by the fair value of the assets held by the Group in the automotive field, expressed by the market value at 31 December 2017 of Sogefi, whose shares are listed on the Milan Stock Exchange.

Healthcare sector

The goodwill allocated to the healthcare sector, which corresponds to the KOS sub-group, amounts to € 275 million. The Group has therefore allocated all of the goodwill to a single "Healthcare" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs according to the approach taken by management of the KOS sub-group. In order to check for any impairment in the value of goodwill and other non-current assets shown in the consolidated financial statements, the value in use of the CGUs to which the goodwill had been allocated at the KOS sub-group level was calculated.

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

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

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

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

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

<i>(in thousands of euro)</i>	<i>31.12.2017</i>
Goodwill allocated by KOS sub-holding	
Long Term Care	236,849
Cancer cure and diagnostics	36,984
Corporate	516
Additional goodwill allocated to the Healthcare CGU	943
Total	275,292

In developing the impairment test, we used management's latest budget forecasts for the economic and financial trend for the period 2018-2022, assuming that the assumptions are realistic and the targets are reached. In calculating the projections, management made various hypotheses based on past experience and expectations regarding the development of the sectors in which the Group operates.

To calculate the terminal value we used a growth rate of 1.5% (the same as in 2016) in line with the average long-term growth rate of production, the reference sector and the country in which the company operates. For prudence sake, the same rate of growth was used for the services abroad (India), even though this country's expected rate of growth is higher. As for the UK activities, no terminal value was calculated as the test period matched the duration of the service contract.

The discount rate used reflects the current market valuations of the cost of money and takes into account the specific risks of the business. For the activities in Italy, this discount rate net of taxation (WACC after-tax) is 5.8%, while for those in the UK it is 5.4% and for those in India it is 9.5%.

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

The tests carried out did not reveal any loss in value.

Considering that the recoverable value is determined on the basis of estimates, the Group cannot guarantee that goodwill will not be impaired in future year. Given the persistence of the market crisis, the various factors used in preparing the estimates might be reviewed.

The group set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable values (discount rate, growth rate, terminal value), determining the level of these variables that make the value in use equal to the book value, as shown below:

Long Term Care: the sensitivity analysis elaborated on the first level of the test (Region) shows positive results even with a growth rate of zero and a WACC much higher than that used in the test on all the regions considered, with the exception of Liguria, Tuscany and Piedmont, for which the cover is zeroed, using a growth rate (g) of zero and a WACC of 6.30%, 6.09% and 7.09% respectively.

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

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

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

Lastly, it is worth mentioning that the results of the analysis to determine the value in use of the Healthcare CGU were also confirmed by the fair value expressed by the amounts at which we completed the transaction carried out by CIR S.p.A. involving the shares held by the minority shareholder of the KOS group during 2016.

7.b. Property, plant and equipment

The changes in "Tangible assets" during the year are shown on the next page.

7.b. Property, plant and equipment

2016	Opening position			Movements during the year							Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2015	Acquisitions	Business combinations/disposals	Capitalised financial charges	Exchange rate losses	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2016
				increases	decreases								
(in thousand of euro)													
Land	48,588	(522)	48,066	--	419	(105)	--	(196)	(1,160)	(70)	47,483	(585)	46,898
Buildings used for operating purposes	393,164	(161,482)	231,682	3,002	4,192	(1,474)	--	217	5	(14)	386,153	(162,779)	223,374
Plant and machinery	962,357	(733,338)	229,019	35,982	17	(1,651)	--	1,305	27,170	(624)	907,552	(667,693)	239,859
Industrial and commercial equipment	140,773	(101,750)	39,023	7,309	132	--	--	224	984	(177)	147,359	(108,480)	38,879
Other assets	255,834	(198,939)	56,895	13,095	41	(331)	--	(72)	5,642	(37)	267,084	(204,774)	62,310
Assets under construction and payment on account	55,152	(728)	54,424	42,101	--	--	--	(415)	(36,087)	(184)	60,888	(1,049)	59,839
Total	1,855,868	(1,196,759)	659,109	101,489	4,801	(3,561)	--	1,063	(3,446)	(1,106)	1,816,519	(1,145,360)	671,159

Property, plant and equipment rose from € 659,109 thousand at 31 December 2015 to € 671,159 thousand at 31 December 2016.

2017	Opening position			Movements during the year							Closing position		
	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2016	Acquisitions	Business combinations/disposals	Capitalised financial charges	Exchange rate losses	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance at 31/12/2017
				increases	decreases					cost			
(in thousands of euro)													
Land	47,483	(585)	46,898	2,098	--	--	--	(101)	323	(2,554)	47,237	(573)	46,664
Buildings used for operating purposes	386,153	(162,779)	223,374	8,135	2,327	--	--	(1,290)	12,417	(10,713)	391,018	(170,424)	220,594
Plant and machinery	907,552	(667,693)	239,859	28,129	20,766	--	--	(8,367)	23,183	(587)	950,609	(705,255)	245,354
Industrial and commercial equipment	147,359	(108,480)	38,879	11,560	494	--	--	(1,070)	2,117	(1,598)	159,167	(117,320)	41,847
Other assets	267,084	(204,774)	62,310	12,849	3,956	--	--	(705)	2,998	(646)	296,169	(229,796)	66,373
Assets under construction and payment on account	60,888	(1,049)	59,839	51,608	24	--	--	(1,615)	(39,510)	(30)	71,365	(1,049)	70,316
Total	1,816,519	(1,145,360)	671,159	114,379	27,567	--	--	(13,148)	1,528	(16,128)	1,915,565	(1,224,417)	691,148

Property, plant and equipment rose from € 671,159 thousand at 31 December 2016 to € 691,148 thousand at 31 December 2017.

The aggregation of the ITEDI group led to an increase in this item of € 21,206 thousand.

DEPRECIATION RATES

Description	%
Buildings used for operating purposes	3%
Plant and machinery	10-25%
Other assets:	
- Electronic office equipment	20%
- Furniture and fittings	12%
- Motor vehicles	25%

7.c. Investment property

2016														
Opening position				Movements during the year							Closing position			
(in thousands of euro)	Original cost	Accumulated depreciation and write-downs	Net balance 31/12/2015	Additions	Business combinations/disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Net balance 31/12/2016
					increases	decreases								
Buildings	29,215	(8,299)	20,916	136	--	--	--	--	--	--	(908)	29,351	(9,207)	20,144
Total	29,215	(8,299)	20,916	136	--	--	--	--	--	--	(908)	29,351	(9,207)	20,144

2017				Movements during the year							Closing position			
(in thousands of euro)	Opening position			Additions	Business combinations/disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Net balance 31/12/2017
	Original cost	Accumulated depreciation and write-downs	Net balance 31/12/2016											
					increases	decreases								
Buildings	29,351	(9,207)	20,144	46	--	--	--	--	--	--	(756)	29,397	(9,963)	19,434
Total	29,351	(9,207)	20,144	46	--	--	--	--	--	--	(756)	29,397	(9,963)	19,434

Investment property has gone from € 20,144 thousand at 31 December 2016 to € 19,434 thousand at 31 December 2017, mainly due to depreciation for the period. The market value is considerably higher than the carrying value.

DEPRECIATION RATES

Description	%
Buildings	3.00%

At the end of 2017, following the negative results of the subsidiary Sogefi Filtration do Brasil Ltda and the weak performance of the South American car market, the relevant property, plant and equipment and intangible assets of the automotive sector were impairment tested. This test was carried out following the procedure required by IAS 36, comparing the net book value of the assets concerned (€ 5.5 million for the property, plant and equipment) with the value in use given by the present value of the estimated future cash flows that are expected to derive from continuous use of the assets being impairment tested.

The Unlevered DCF method was used. The subsidiary took into consideration the expected trends resulting from the 2018 budget and the 5 subsequent years (it is estimated that this period corresponds to the residual useful life of the assets) approved by its Advisory Board on 20 February 2018.

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

The discount rate used, based on the weighted average cost of capital, is equal to 17.50%.

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

- financial structure of the sector: 15%
- levered beta of the sector: 1.06
- risk-free rate: 10.29% (annual average of Brazilian 10-year government bonds)
- risk premium: 8.5% (average risk premium, calculated by an independent source)
- cost of debt: 11%

The test carried out on the present value of projected cash flows shows a value in use of the assets that is lower than their carrying amount; a write-down of € 5,751 thousand was therefore made, of which € 3,597 thousand on property, plant and equipment and € 2,154 thousand on intangible assets.

LEASING AND RESTRICTIONS FOR GUARANTEES AND COMMITMENTS ON PROPERTY, PLANT AND EQUIPMENT

The position of leased assets at 31 December 2017 and 2016 and of restrictions applied to all tangible assets on account of guarantees and commitments is as follows:

<i>(in thousands of euro)</i>	<i>Gross leasing amount</i>		<i>Accumulated depreciation</i>		<i>Restrictions for guarantees and commitments</i>	
	2017	2016	2017	2016	2017	2016
Land	3,503	7,385	--	--	--	--
Buildings	63,097	76,573	8,607	10,491	131,178	131,178
Plant and machinery	20,437	22,339	11,746	8,939	--	--
Other assets	78	2,203	78	1,739	--	--
Assets under construction and advanced payments	--	7,353	--	--	--	--

7.d. Equity accounted investees

(in thousands of euro)

2016		Balance 31.12.2015	Increases (Decreases)	Write-downs	Dividends	Pro-rata share of result		Other changes	Balance at 31.12.2016
						Loss	Profit		
Persidera S.p.A.	30.00	113,084	--	--	(2,802)	--	367	--	110,649
Editoriale Libertà S.p.A.	35.00	13,911	--	--	(350)	--	390	--	13,951
Editoriale Corriere di Romagna S.r.l.	49.00	3,156	--	--	--	--	108	--	3,264
Altrimedia S.p.A.	35.00	741	--	--	(53)	--	45	--	733
Le Scienze S.p.A.	50.00	88	--	--	--	--	63	--	151
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	725	378	--	--	(167)	--	--	936
Huffingtonpost Italia S.r.l.	49.00	128	132	--	--	--	43	--	303
Total		131,833	510	--	(3,205)	(167)	1,016	--	129,987

(in thousands of euro)

2017		Balance 31.12.2016	Increases (Decreases)	Write-downs	Dividends	Pro-rata share of result		Other changes	Balance at 31.12.2017
						Loss	Profit		
Persidera S.p.A.	30.00	110,649	--	--	(3,900)	(1,022)	--	--	105,727
Editoriale Libertà S.p.A.	35.00	13,951	--	--	(280)	--	424	--	14,095
Editoriale Corriere di Romagna S.r.l.	49.00	3,264	--	--	--	--	3	--	3,267
Altrimedia S.p.A.	35.00	733	--	--	(35)	--	64	--	762
Le Scienze S.p.A.	50.00	151	--	--	(67)	--	19	--	103
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	936	--	--	--	(80)	--	--	856
Huffingtonpost Italia S.r.l.	49.00	303	--	--	--	--	68	--	371
Total		129,987	--	--	(4,282)	(1,102)	578	--	125,181

At 31 December 2017, the investments held in Persidera S.p.A., Editoriale Libertà S.p.A. and Editoriale Corriere di Romagna S.r.l., were subjected to 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 the specific areas of activity of each company. More precisely, the recoverable amount of the investment - comparative term for assessing the presence of an impairment loss - was determined in accordance with IAS 36 as the higher of fair value less selling costs and value in use: the first was estimated by reference to market multiples; the second was quantified according to the expected cash flows from the investment, based on the 2018-2020 budgets. On the other hand, the 2017-2019 business plan approved by the Board of Directors of Persidera S.p.A. on 25 February 2017 was used in determining the value in use of the "Persidera CGU", and following the concession to use digital television broadcasting frequencies on a definitive basis, a plan that goes up to 2032, the expiration date of the concession, was also used. The terminal value was taken as being equal to the last year of the plan (2032), assuming renewal of the concession at the same conditions. The plan assumes an increase in gross operating profit from 2020 to 2032 of 1.6% per annum to take into account the potential for business development.

The discount rate applied to the expected cash flows was 7.32%, taking into account the specific characteristics of the business and the company.

The impairment test carried out at the end of 2017 on the investments in Persidera S.p.A., Editoriale Corriere di Romagna S.r.l. and Editoriale Libertà S.p.A. did not reveal loss in value.

7.e. Other investments

<i>(in thousands of euro)</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
Ansa S. Coop. A.R.L.	2,173	1,902
Emittenti Titoli S.p.A.	132	132
Radio Italia S.p.A.	6,500	--
Other	3,444	3,289
Total	12,249	5,323

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

7.f. Other assets

"Other receivables" at 31 December 2017 had a balance of € 56,874 thousand, compared with € 79,099 thousand at 31 December 2016, and were made up of:

- € 10,094 thousand (€ 38,910 thousand at 31 December 2016) of unsecured and mortgage-backed receivables held by CIR International S.A. The decrease in the balance is due to the sale of the investment in the securitisation company Zeus Finance S.r.l.;
- € 9,735 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 by the vendor. For further details, please refer to the notes on item 10.d "Provisions for risks and charges";
- € 21,850 thousand of receivables due from the Treasury to the Sogefi Group, mainly relating to tax receivables for research and development of the French subsidiaries.

7.g. Available-for-sale financial assets

"Available-for-sale financial assets" at 31 December 2017 amounted to € 79,511 thousand (€ 85,009 thousand at 31 December 2016) and mainly refer to investments in private equity funds and non-controlling shareholdings. These investments were measured at fair value, booking as the contra-entry an amount, net of tax, of € 18,700 thousand (€ 13,170 thousand at 31 December 2016) to the fair value reserve for Cofide's portion. During the year, gains for € 22,161 thousand (€ 13,329 thousand in 2016) were realised and booked to item 14.c. "Gains on securities trading". At 31 December 2017, the residual commitment for investment in private equity funds stood at € 5.7 million.

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

7.h. Deferred tax assets and liabilities

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

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

(in thousands of euro)	2017		2016	
	Total temporary differences	Tax effect	Total temporary differences	Tax effect
Deductible temporary differences from:				
- write-down of current assets	67,394	16,746	39,013	9,911
- write-down of non-current assets	62,146	16,243	55,752	14,221
- revaluation of current liabilities	24,549	7,014	22,362	6,443
- revaluation of employee benefit obligations	73,792	16,807	75,010	17,879
- revaluation of provisions for risks and charges	72,524	20,710	78,597	21,046
- revaluation of long-term borrowings	--	--	--	--
- write-down of financial instruments	840	211	691	143
- tax losses from previous years	88,745	19,652	72,757	22,092
Total deferred tax assets	389,990	97,383	344,182	91,735
Taxable temporary differences from:				
- revaluation of current assets	10,916	2,627	9,247	2,226
- revaluation of non-current assets	560,567	155,773	480,722	134,142
- write-down of current liabilities	50,651	11,965	66,796	11,131
- valuation of personnel provisions	2,209	580	8,437	2,095
- write-down of provisions for risks and losses	401	120	--	--
- revaluation of financial instruments	11	3	996	239
Total deferred tax liabilities	624,755	171,068	566,198	149,833
Net deferred taxes		(73,685)		(58,098)

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 € 395.6 million, which can be carried forward without any limit, and to other Group companies for € 89.4 million. No deferred tax assets were calculated for these losses because present conditions are such that there is no certainty that they can be recovered.

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

2017 (in thousands of euro)	Balance at 31.12.2016	Use of deferred taxes from prior years	Deferred taxes generated in the years	Exchange rate differences and other changes	Balance at 31.12.2017
Deferred tax assets:					
- income statement	72,264	(14,065)	17,726	7,611	83,536
- equity	19,471	(4,675)	107	(1,056)	13,847
Deferred tax liabilities:					
- income statement	(123,713)	2,986	(2,723)	(22,685)	(146,135)
- equity	(26,120)	917	(939)	1,209	(24,933)
Net deferred taxes	(58,098)				(73,685)

8. Current assets

8.a. Inventories

Inventories can be broken down as follows:

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Raw materials, supplies and consumables	75,499	71,729
Work in progress and semi-finished products	15,492	15,867
Finished products and goods	48,081	49,810
Payments on account	--	--
Total	139,072	137,406

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

"Contract work in progress" amounts to € 36,536 thousand compared with € 40,947 thousand at 31 December 2016 and refers to the Sogefi Group.

8.b. Trade receivables

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Receivables - customers	470,937	412,704
Receivables - associates	1,677	1,542
Total	472,614	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.

In 2017, provisions for write-downs were made for a total of € 5,768 thousand compared with € 6,567 thousand in 2016.

The increase in "Receivables - customers" compared with 31 December 2016 is attributable to the Sogefi Group due to higher turnover in 2017 compared with the end of the previous year, and, as part of the GEDI group, to the consolidation of the ITEDI group which led to an increase at 30 June 2017 of € 17,426 thousand. "Receivables - associates" refer to receivables from companies consolidated using the equity method in the GEDI group.

8.c. Other assets

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Receivables - associates	105	105
Tax receivables	48,766	46,844
Other assets	56,336	45,914
Total	105,207	92,863

Consolidation at 30 June 2017 of the ITEDI group resulted in an increase in "Other assets" of € 7,371 thousand.

8.d. Loan assets

"Loan assets" fell from € 30,183 thousand at 31 December 2016 to € 38,986 thousand at 31 December 2017. This item includes € 3,072 thousand which relates to the fair value measurement of the Cross Currency Swap contracts taken out by the Sogefi Group for the purpose of hedging the interest rate and currency risk on the private bond placement of USD 115 million; it also includes € 17,036 thousand of receivables due to the KOS Group and € 16,333 thousand due to the GEDI Group by factoring companies for non-recourse assignments.

8.e. Securities

This item consists of the following categories of securities:

<i>(in thousands of euro)</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
Investment funds and similar funds	44,500	42,874
Bonds	--	6,401
Certificates of deposit and other securities	12,728	16,882
Total	57,228	66,157

At 31 December 2017, the item amounted to a total of € 57,228 thousand (€ 66,157 thousand at 31 December 2016) and includes investments in mutual investment by CIR Investimenti S.p.A. for € 35,132 thousand (€ 33,229 thousand at 31 December 2016), and by Cofide S.p.A. for € 9,368 thousand (€ 9,645 thousand at 31 December 2016), a structured security for € 11,209 thousand (€ 11,313 thousand at 31 December 2016), as well as certificates of deposit and various securities.

The fair value measurement of "Securities" led to fair value gain to the income statement of € 1,040 thousand.

8.f. Financial assets available-for-sale

This item totals € 235,251 thousand (€ 234,012 thousand at 31 December 2016) and refers for € 39,110 thousand (€ 38,729 thousand at 31 December 2016) 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 € 9,688 thousand (€ 9,042 thousand at 31 December 2016). The effect of this measurement on Cofide's equity for its share came to € 5,371 thousand. During the year, gains for € 3,664 thousand (€ 666 thousand in 2016) were realised and booked to item 14.c. "Gains on securities trading", as well as a loss to the income statement of € 587 thousand (€ 564 thousand in 2016).

This item also includes € 196,141 thousand (€ 195,283 thousand at 31 December 2016) for whole-life insurance and capitalisation policies arranged with leading insurance companies by CIR Investimenti S.p.A., with yields linked to separate managed insurance funds and, in some cases, to unit-linked funds. The net yield during the year came to € 3,088 thousand (€ 3,379 thousand in 2016). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in positive adjustment from fair value of € 417 thousand, net of tax effect. The effect of this measurement on Cofide's equity for its share came to € 231 thousand.

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

"Cash and cash equivalents" went from € 333,263 thousand at 31 December 2016 to € 263,065 thousand at 31 December 2017.

"Bank loans and borrowings" went from € 12,771 thousand at 31 December 2016 to € 17,551 thousand at 31 December 2017.

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

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 31 December 2017 the company held 19,188,559 treasury shares (2.67% of the share capital) equal to € 11,364 thousand.

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

The share capital is fully subscribed and paid up.

9.b. Reserves

The changes of "Reserves" are as follows:

<i>(in thousands of euro)</i>	Share premium reserve	Legal reserve	Fair value reserve	Translation reserve	Reserve for treasury shares	Other reserves	Total reserves
Balance at 31 December 2015	5,044	22,644	15,634	(4,176)	--	71,425	110,571
Retained earnings	--	--	--	--	--	--	--
Fair value measurement of cash flow hedges	--	--	486	--	--	--	486
Fair value gains on securities	--	--	(274)	--	--	--	(274)
Fair value losses on securities reclassified to profit or loss	--	--	(314)	--	--	--	(314)
Effects of equity changes in subsidiaries	--	--	301	(9)	--	(12,458)	(12,166)
Translation differences	--	--	--	751	--	--	751
Actuarial losses	--	--	--	--	--	(4,013)	(4,013)
Balance at 31 December 2016	5,044	22,644	15,833	(3,434)	--	54,954	95,041
Retained earnings	--	941	--	--	--	--	941
Fair value gains(losses) on treasury share transactions	--	--	--	--	9,594	(11,364)	(1,770)
Fair value measurement of cash flow hedges	--	--	980	--	--	--	980
Fair value gains on securities	--	--	6,689	--	--	--	6,689
Fair value losses on securities reclassified to profit or loss	--	--	(852)	--	--	--	(852)
Effects of equity changes in subsidiaries	--	--	204	(51)	--	(13,472)	(13,319)
Translation differences	--	--	--	(8,450)	--	--	(8,450)
Actuarial gains	--	--	--	--	--	601	601
Balance at 31 December 2017	5,044	23,585	22,854	(11,935)	9,594	30,719	79,861

The "Fair value reserve", net of tax, was positive for € 22,854 thousand and refers (in positive) to the measurement of "financial assets available-for-sale " in item 7.g. for € 18,700 thousand, to the measurement of "financial assets available-for-sale " in item 8.f. for € 5,602 thousand and (in negative) to the measurement of hedges for € 1,448 thousand.

The "Translation reserve" had a negative balance of € 11,935 thousand at 31 December 2017 with the following breakdown:

<i>(in thousands of euro)</i>	31.12.2016	Increases	Decreases	31.12.2017
Sogefi Group	(9,538)	--	(6,056)	(15,594)
Kos Group	125	--	(62)	63
CIRInternational	6,055	--	(2,378)	3,677
Other	(76)	--	(5)	(81)
Total	(3,434)	--	(8,501)	(11,935)

The breakdown of "Other reserves" at 31 December 2017 was as follows:

<i>(in thousands of euro)</i>	
Merger surplus	43
Reserve for the difference between the carrying amounts of investee companies and the respective portions of consolidated equity	30,676
Total	30,719

9.c. Retained earnings (losses carried forward)

The changes in Retained earnings (losses 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>	31.12.2017	31.12.2016
GEDI Gruppo Editoriale S.p.A. 2.625% 2014/2019 Convertible Bond	87,906	83,526
SOGEFI S.p.A. Bond 2013/2020 in USD	68,253	93,228
SOGEFI S.p.A. Bond 2013/2020	24,967	24,953
Sogefi S.p.A. 2% 2014/2021 Convertible Bond	85,678	82,035
Private Placement KOS S.p.A. 2017/2024	63,553	--
Private Placement KOS S.p.A. 2017/2025	34,755	--
Total	365,112	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 loans and borrowings

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Collateralised bank loans and borrowings	45,758	35,317
Other bank loans and borrowings	165,951	172,594
Leases	68,092	94,368
Other liabilities	2,062	9,536
Total	281,863	311,815

This item consists of loans to Sogefi Group companies for € 109,319 thousand, loans to KOS Group companies for € 164,799 thousand and loans to companies of the GEDI Group for € 7,745 thousand.

10.c. Employee benefit obligations

The details of this item are as follows:

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Post employment benefits (TFR)	81,926	70,539
Pension funds and similar obligations	57,809	60,519
Total	139,735	131,058

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Opening balance	131,058	124,622
Provision for labour provided during the year	22,955	21,477
Increases for interest	1,956	2,643
Actuarial gains or losses	(3,495)	13,413
Benefits paid	(10,550)	(10,167)
Increases or decreases due to changes in the consolidation scope	16,227	(2,212)
Other changes	(18,416)	(18,718)
Closing balance	139,735	131,058

The "Post employment benefits(TFR)" includes an amount of € 12,012 thousand relating to the consolidation of the ITEDI Group at 30 June 2017.

"Pension funds and similar obligations" include an amount of € 1,960 thousand relating to the consolidation of the ITEDI group at 30 June 2017.

Employee Leaving Indemnity and Defined Benefit Provision

Annual technical discount rate	1.30% - 2.70%
Annual inflation rate	1.50% - 3.10%
Annual rate of pay increases	0.50% - 3.60%
Annual rate of TFR increase	2.625%

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 product warranties</i>	<i>Provision for other risks</i>	<i>Total</i>
Balance at 31 December 2016	15,128	2,106	19,081	47,362	83,677
Provisions made during the year	4,425	1,418	1,248	8,630	15,721
Uses	(882)	(890)	(2,062)	(25,516)	(29,350)
Exchange rate losses	--	(11)	(38)	(990)	(1,039)
Change in the consolidation scope	1,069	--	--	--	1,069
Other changes	(202)	--	(15)	(964)	(1,181)
Balance at 31 December 2017	19,538	2,623	18,214	28,522	68,897

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	--	2,281	12,971	15,252
Uses	(4,654)	(9,439)	(12,607)	(26,700)
Exchange rate differences	--	--	6	6
Change in the scope of consolidation	5,479	9,920	1,868	17,267
Other changes	445	--	(7,803)	(7,358)
Balance at 31 December 2017	5,965	10,342	54,937	71,244

"Changes in the consolidation scope" refers to consolidation of the ITEDI Group at 30 June 2017.

The uses of the "Provision for other risks" include € 20.8 million relating to the facilitated settlement of the GEDI group dispute. For further information, reference should be made to point 25 "Disputes".

The provision for product warranties includes € 16.3 million allocated by the Sogefi Group to cover claims from two customers relating to the supply from 2010 onwards of a defective part by Sogefi Air & Refroidissement France S.A.S. (formerly Systèmes Moteurs S.A.S., "SM"), before and after its acquisition by Dayco Europe S.r.l. (in 2011). In the 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 subsidiary started a lawsuit against the supplier in a French court, asking for a refund of any compensation that it might have to pay to the customers. The court appointed an expert in 2012 and the lawsuit involved a technical inspection with a view to defining the reasons for the product defect. Subsequently, both subcontractors and customers got involved in this process, as was Dayco. The main task of the expert is to ascertain the nature of the defect, the responsibilities of the various parties involved and the extent of the damage. To date, the expert has established that the defect originated in the thermostat made by SM's supplier.

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

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

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

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

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

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

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

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

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

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

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

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

As for claims relating to post-acquisition production, the 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 once the judgement on the issue is issued, i.e. under later settlement agreements.

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

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

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

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

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

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

Apart from the libel disputes regarding the GEDI Group, which are typical of all publishing businesses, the provision for disputes pending also covers risks for litigation of a commercial nature and labour suits. The provision for restructuring charges includes amounts set aside for restructuring plans that

have been publicly announced and communicated to the parties concerned and refers in particular to the production reorganisation projects involving companies of the Sogefi and GEDI Groups. The provision for other risks is mainly to cover tax disputes pending with local tax authorities.

11. Current liabilities

11.a. Bonds

This item, totalling € 20,168 thousand, includes € 13,698 thousand representing the current portion of the Sogefi S.p.A. Bond 2013/2023 denominated in USD, € 5,795 thousand representing the current portion of the GEDI Gruppo Editoriale S.p.A. Bond 2014/2019 and € 675 thousand representing the current portion of the private placements issued by KOS S.p.A.

11.b. Other loans and borrowings

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Collateralised bank loans	9,300	6,808
Other bank loans	91,753	149,068
Leases	12,542	12,092
Other loans and borrowings	99,863	33,211
Total	213,458	201,179

This item refers to loans to Sogefi Group companies for € 55,564 thousand, loans to KOS Group companies for € 20,254 thousand, loans to companies of the GEDI Group for € 94,614 thousand and loans to the parent company Cofide for € 43,026 thousand.

11.c. Trade payables

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Payables - subsidiaries and joint ventures	9	9
Payables - associates	1,821	2,180
Payables - suppliers	461,199	427,221
Advance payments	6,422	3,944
Total	469,451	433,354

The increase is mainly attributable to the GEDI Group and to the Sogefi Group.

11.d. Other liabilities

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Due to employees	74,322	72,103
Tax payables	76,760	40,834
Social security payables	51,126	47,057
Other liabilities	63,129	39,703
Total	265,337	199,697

"Tax payables" includes an amount of € 35,108 thousand relating, as part of the GEDI group, to the third instalment, expiring in 2018, of the facilitated settlement provided for under art. 11 of Decree Law 50/2017 converted by law 96/2017, of the tax dispute relating to events dating back to 1991 and the subject of sentence 64/9/2012 of the Regional Tax Commission of Rome.

The increase in "Social security payables" mainly refers to the GEDI group.

"Other liabilities", for the Sogefi group, includes an amount of € 14,977 thousand relating to the fair value of the liability that arose on exercising the put option held by non-controlling shareholders of Sogefi M.N.R. Engine Systems India Pvt Ltd for 30% of its share capital. The fair value of the liability, which represents a reasonable estimate of the strike price of the option, was determined with the discounted cash flow method using the cash flows of the subsidiary's 2018 budget and business plan for the years 2019-2022. At 31 December 2016, the fair value of the option, € 8,997 thousand, was classified under "Other liabilities" in non-current liabilities.

The non-controlling shareholders exercised the option in October 2017.

This item, for the KOS Group, also includes an amount of € 5,548 thousand for the balance expected to be paid for the purchase of the investments in Casa di Cura Villa Margherita S.r.l. and Ecomedica S.p.A.

Income Statement

12. Revenue

BREAKDOWN BY BUSINESS SEGMENT

(in millions of euro)	2017		2016		Change %
	amount	%	amount	%	
Media	633.7	22.7	585.5	22.3	8.2
Automotive components	1,672.4	59.8	1,574.1	60.1	6.2
Healthcare	490.6	17.5	461.1	17.6	6.4
Total consolidated revenue	2,796.7	100.0	2,620.7	100.0	6.7

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)							
2017	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
Media	633.7	633.7	--	--	--	--	--
Automotive components	1,672.4	104.1	892.4	317.1	184.5	168.1	6.2
Healthcare	490.6	473.7	7.5	--	--	9.4	--
Total consolidated revenue	2,796.7	1,211.5	899.9	317.1	184.5	177.5	6.2
Percentages	100.0%	43.3%	32.2%	11.3%	6.6%	6.4%	0.2%

(in millions of euro)							
2016	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
Media	585.5	585.5	--	--	--	--	--
Automotive components	1,574.1	101.9	855.3	308.7	162.2	139.6	6.4
Healthcare	461.1	449.5	6.9	--	--	4.7	--
Total consolidated revenues	2,620.7	1,136.9	862.2	308.7	162.2	144.3	6.4
Percentages	100.0%	43.4%	32.9%	11.8%	6.2%	5.5%	0.2%

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

13. Operating costs and income

13.a. Costs for the purchase of goods

This item has risen from € 988,180 thousand in 2016 to € 1,046,112 thousand in 2017. The increase is mainly attributable to the Sogefi Group.

13.b. Costs for services

This item went from € 614,406 thousand at 31 December 2016 to € 674,459 thousand at 31 December 2017, as can be seen from the following breakdown:

<i>(in thousands of euro)</i>	2017	2016
Technical and professional consulting	102,220	91,331
Distribution and transport costs	36,515	35,726
Outsourcing	34,803	36,773
Other expenses	500,921	450,576
Total	674,459	614,406

"Other expenses", for the GEDI group, includes the "publisher fees" for an amount of € 87,375 thousand (€ 43,033 thousand in 2016). These fees include the portions of advertising revenue retroceded by the agent A. Manzoni & C. to third party publishers. The increase of € 44,342 thousand is mainly due to the acquisition of the new concessions of Radio Italia and the newspapers *La Stampa* and *Il Secolo XIX* for national advertising for the first six months of the year.

13.c. Personnel costs

Personnel costs totalled € 732,661 thousand at 31 December 2017 (€ 712,409 thousand at 31 December 2016).

<i>(in thousands of euro)</i>	2017	2016
Salaries and wages	503,064	487,829
Social security contributions	161,175	157,921
Post employment benefits	20,132	19,159
Pensions and similar benefits	2,809	2,305
Valuation of stock option plans	3,430	4,242
Other costs	42,051	40,953
Total	732,661	712,409

The increase in "Personnel costs" is mainly attributable to the Sogefi Group and to the KOS Group. The Group had an average of 15,012 employees in 2017 (14,443 in 2016).

13.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2017	2016
Grants related income	143	854
Capital gains on asset disposals	3,505	2,287
Prior year and other income	27,259	23,671
Total	30,907	26,812

The increase in "Other operating income" is mainly attributable to the Sogefi group and the Gedi group.

13.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2017	2016
Write-downs and losses on receivables	6,698	7,574
Accruals to provisions for risks and charges	10,573	13,678
Indirect taxes	31,399	32,188
Restructuring charges	8,606	4,239
Losses on asset disposals	2,108	700
Miscellaneous losses and other costs	21,675	22,474
Total	81,059	80,853

"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 includes the following:

<i>(in thousands of euro)</i>	2017	2016
Interest income on bank accounts	735	850
Interest income on securities	796	1,386
Other interest income	4,511	7,328
Interest rate derivatives	3,254	3,028
Exchange rate gains	298	433
Other financial income	--	33
Total	9,594	13,058

14.b. Financial expense

This item includes the following:

<i>(in thousands of euro)</i>	2017	2016
Interest expense on bank accounts	9,811	12,550
Interest expense on bonds	20,618	20,105
Other interest expense	13,482	11,902
Interest rate derivatives	6,458	6,222
Exchange losses	51	93
Other financial expenses	9,390	10,480
Total	59,810	61,352

14.c. Gains from trading securities

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

<i>(in thousands of euro)</i>	2017	2016
Shares - subsidiaries	--	2,488
Shares - other companies	208	5
Other securities and other gains	26,183	14,089
Total	26,391	16,582

The item "Shares - subsidiaries" of the previous year referred to the gain of the Espresso Group due to the sale of *Il Centro* and *La Città* and of the investment in Seta.

14.d. Fair value gains or losses on financial assets

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

<i>(in thousands of euro)</i>	2017	2016
Shares - other companies	--	--
Other securities and other losses	156	668
Total	156	668

14.e. Adjustments to the value of financial assets

The net charge of € 3,998 thousand refers for € 453 thousand to the fair value gain of "Securities" and "Available-for-sale financial assets" classified as current assets, and for € 4,451 thousand to the write-down of "Available-for-sale financial assets" and "Equity investments" classified as non-current assets.

15. Income taxes

Income taxes can be broken down as follows:

<i>(in thousands of euro)</i>	2017	2016
Current taxes	27,862	31,257
Deferred taxes	1,747	21,974
Income taxes from prior years	151,109	(39)
Total	180,718	53,192

The significant increase in "Income taxes" compared with the previous year is attributable to the settlement of tax disputes in the GEDI group (for further details, see point 25. "Disputes"): in particular, the tax charge amounted to € 175,341 thousand (of which € 128,233 thousand as tax and € 47,108 thousand as interest). The settlement allowed the release of provisions set aside earlier for a total of € 20,847 thousand. € 78 thousand was also allocated to take into account the interest accrued on potential tax liabilities. The deductibility of the interest portion for € 47,108 thousand had a positive effect overall of € 11,304 thousand, of which € 2,322 thousand as current taxes and € 8,984 thousand as deferred tax assets.

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2017:

<i>(in thousands of euro)</i>	2017
Pre-tax income (loss) as per the consolidated financial statements	129,736
Theoretical income taxes	31,137
Tax effect of non-deductible costs	4,384
Tax effect of prior year losses which generate deferred tax assets in the current year	(5,075)
Tax effect of prior year losses which did not generate deferred tax assets	(4,240)
Tax effect on interest rate differentials of foreign companies	5,541
Non-taxable grants	(7,037)
Other	(2,085)
Income taxes	22,625
Average effective tax rate	17.44
Theoretical tax rate	24.00
IRAP and other taxes	6,984
Income taxes from prior years	151,109
Total taxes as per the consolidated financial statements	180,718

16. Profit(loss) from discontinued operations

The item includes the profit of € 8,161 thousand as a deferred payment for the sale, made by the GEDI group, of All Music to Discovery, which took place in January 2015 and the loss of € 567 thousand relating to CIR International S.A.'s disposal of the investment in the securitisation company Zeus Finance S.r.l.

17. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of shares in circulation. Diluted earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation during the year, 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 the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

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

	2017	2016
Profit (loss) attributable to the shareholders (in thousands of euro)	(2,966)	21,249
Weighted average number of ordinary shares in circulation	708,175,105	719,209,918
Earnings (loss) per share (euro)	(0.0042)	0.0295

	2017	2016
Profit (loss) from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	(4,218)	17,977
Weighted average number of ordinary shares in circulation	708,175,105	719,209,918
Earnings (loss) per share (euro)	(0.0060)	0.0250

18. Dividends paid

Dividend payments during 2016 amounted to € 10,069 thousand, being € 0.014 per share.

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

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.

19.a. Market risk

Foreign currency risk

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

Regarding the 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 revenue, are active both in their own domestic markets and abroad and, if necessary, can arrange funding locally.

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

<i>Sensitivity analysis on the EUR/USD exchange rate</i>	<i>31.12.2017</i>		<i>31.12.2016</i>	
	-5%	+5%	-5%	+5%
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Effect on income statement (EUR/thousand)	670	(589)	491	(487)
Effect on equity (EUR/thousand)	670	(589)	491	(487)

19.b. Credit risk

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

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

Credit risk can vary depending on the business segment concerned.

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

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

The "Healthcare" sector has different concentrations of 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 revenue 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 revenue 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.

19.c. Liquidity risk

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

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

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

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

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

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

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

Sensitivity analysis

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

<i>(in thousands of euro)</i>	31.12.2017		31.12.2016	
Change	-1%	+1%	-1%	+1%
Change in income statement	(1,731)	(842)	(2,488)	680
Change in equity	(1,780)	(93)	(2,734)	1,404

(*) Note that for the KOS Group, given that interest rates in 2015 and 2016 reached low levels tending to zero, it was decided only to evaluate the effect of a +1% change in interest rates on the income statement and balance sheet%.

19.e. Derivatives

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

- fair value hedges, if they are subject to price changes in the market value of the underlying asset or liability;
- cash flow hedges, if they are entered into against the risk of changes in cash flows from an existing asset and liability, or from a future transaction;
- hedges of net investments in foreign operations, if they are entered into to protect against foreign currency risk from the translation of subsidiaries' equity denominated in a currency other than the Group's functional currency.

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

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

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

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

Hedge effectiveness is tested at regular intervals, with the effective part of the relationship being recognised to equity and the ineffective part, if any, to the income statement.

More specifically, the hedge is considered effective when fair value gain or loss or the change in the cash flows of the instrument being hedged is "almost entirely" offset fair value gain or loss or the change in the cash flow hedges, and when the results achieved are in a range of 80%-125%.

At 31 December 2017, the Group had the following derivatives outstanding accounted for as hedges, expressed at their notional value:

a) interest rate hedge:

- hedging of Sogefi bank borrowings, with a notional value of € 190 million, maturing in 2018;
- hedging of the KOS Group's bank borrowings, with a notional value of € 70.8 million.

b) exchange rate hedge:

- forward sales totalling USD 48.2 million to hedge investments in hedge funds, expiring in March 2018;

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

- forward sales of USD 19 million and purchases of Euro expiring in 2018;
- forward sales of Euro 0.15 million and purchases of BRL expiring in 2018;
- forward sales of USD 1.75 million and purchases of BRL expiring in 2018;
- forward purchases of GBP 8 million and sales of Euro expiring in 2018;

- forward purchases of USD 1.5 million and sales of Euro expiring in 2018;
- forward purchases of USD 0.7 million and sales of BRL expiring in 2018;
- forward purchases of Euro 1.55 million and sales of INR expiring in 2018;
- forward purchases of Euro 0.35 million and sales of BRL expiring in 2018;
- forward purchases of Euro 0.65 million and sales of RON expiring in 2018;
- forward purchases of Euro 0.4 million and sales of MXN expiring in 2018;
- forward purchases of USD 2 million and sales of CAD expiring in 2018;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds with a notional amount of USD 98.6 million.

19.f. Capital ratios

Management modulates the use of leverage to guarantee solidity and flexibility in the capital structure measuring the ratio of funding sources to investment activity.

19.g. Borrowing conditions

Some of the Group's borrowing agreements contain special clauses which, in the event of failure to comply with certain economic and financial covenants, give the financing banks an option to claim immediate repayment if the company involved does not immediately remedy the infringement of such covenants as required under the terms and conditions of the agreements.

At 31 December 2017, all contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

Below is a summary of the main covenants relating to the borrowings of the operating sub-holding companies outstanding at year 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 the borrowing outstanding at year end are described below:

- loan of € 20,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit(loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit(loss) to consolidated net financial expenses not less than 4;
- loan of € 50,000 thousand - Unicredit S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit(loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit(loss) to consolidated net financial expenses not less than 4;
- loan of € 70,000 thousand - BNP Paribas S.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit(loss) less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses not less than 4;
- loan of € 55,000 thousand - Ing Bank N.V.: ratio of consolidated net financial position to consolidated normalised gross operating profit(loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit(loss) to consolidated net financial expenses not less than 4;

- bond of USD 115,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit(loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit(loss) to consolidated net financial expenses not less than 4;
- bond of € 25,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit(loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit(loss) to consolidated net financial expenses not less than 4.

At 31 December 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:

- loans obtained by the Parent KOS: ratio of consolidated net financial position to EBITDA of less than or equal to 3.5, ratio of EBITDA to financial expense of more than or equal to 3 and a ratio of loan to value of less than 60%;
- loans obtained by KOS Care: ratio of consolidated net financial position to gross operating profit(loss) less than or equal to 3.5;
- loan obtained by Clearmedi Ltd: Tangible Net Worth greater than INR 110 million and Gearing lower than 11.

At 31 December 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.

19.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.

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

F.S. items	Level 1	Level 2	Level 3	Total
<i>(in thousands of euro)</i>				
NON-CURRENT ASSETS				
<i>Financial assets</i>				
<i>(measured at fair value through equity)</i>				
Financial assets available-for-sale (item 7.g.)	--	79,377	134	79,511
CURRENT ASSETS				
<i>Financial assets at fair value through profit and loss</i>				
Loan assets (item 8.d.)				
- derivatives	--	4,964	--	4,964
Securities (item 8.e.)				
- Equity investments	235	933	--	1,168
- Italian Government securities or similar securities	--	--	--	--
- Investment funds and similar funds	35,132	9,368	--	44,500
- Bonds	--	--	--	--
- Certificates of deposit and other securities	--	11,560	--	11,560
Total securities (item 8.e.)	35,367	21,861	--	57,228
Financial assets available-for-sale (item 8.f.)				
- Certificates of deposit and other securities	--	43,225	127,805	171,030
Total financial assets available-for-sale (item 8.f.)	--	43,225	127,805	171,030
<i>Financial assets at fair value in equity</i>				
Financial assets available-for-sale (item 8.f.)				
- Equity investments	--	--	--	--
- Italian Government securities or similar securities	--	--	--	--
- Investment funds and similar funds	--	39,110	--	39,110
- Bonds	--	--	--	--
- Certificates of deposit and other securities	--	25,111	--	25,111
Total financial assets available-for-sale (item 8.f.)	--	64,221	--	64,221
CURRENT LIABILITIES				
<i>Financial liabilities at fair value in equity</i>				
Other loans and borrowings (item 11.b.)				
- derivatives	--	(584)	--	(584)
<i>Financial liabilities at fair value through profit or loss</i>				
Other loans and borrowings (item 11b.)				
- derivatives	--	(2,812)	--	(2,812)

As previously reported during the year, in point 4. "Financial instruments", capitalisation policies (so-called Class I) were transferred from level 2 to level 3 of the fair value hierarchy, following a more analytical approach in measuring these financial products.

In detail, financial assets classified as level 3 refer for € 127,805 thousand to capitalisation policies (so-called Class I), subscribed with leading insurance companies by CIR Investimenti S.p.A., and € 134 thousand to venture capital investments held by CIR International S.A., for investments in companies operating in the IT and communication sector.

Changes during the year in financial assets measured at fair value (level 3):

<i>(in thousands of euro)</i>	FINANCIAL ASSETS			
	<i>Held for trading</i>	<i>Measured at fair value</i>	<i>Available for sale</i>	<i>Hedges</i>
Opening balance at 01/01/2016	--	--	707	--
Increases				
- Purchases	--	--	--	--
- Gains recognised to:				
Income statement (1)	--	--	9,849	--
- of which gains equity (2)	--	--	7,632	--
Transferred from other levels	--	--	132,588	--
Other increases	--	--	254	--
Reclassifications	--	--	--	--
Decreases				
- Sales	--	--	(8,396)	--
- Repayments	--	--	(7,000)	--
- Losses recognised to:				
Income statement (3)	--	--	--	--
- of which losses Shareholders' equity (4)	--	--	(63)	--
Transferred to other levels	--	--	--	--
Other decreases	--	--	--	--
Closing balance at 31/12/2017	--	--	127,939	--

(1-3) Increases/decreases in financial assets are recognised to the income statement under the following headings:

- *Item 14.a.: Financial income*
- *Item 14.c.: Gains on securities trading*
- *Item 14.d.: Losses from trading securities*
- *Item 14.e.: Fair value gains or losses 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. "Fair value gains or losses 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".

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS
2016

	<i>F.S. items</i>	<i>Carrying amount</i>	<i>FVTPL assets designated as such on initial recognition</i>	<i>FVTPL assets classified as held for trading</i>	<i>Loans and receivables</i>	<i>Investments held to maturity</i>	<i>financial assets available-for-sale</i>	<i>FVTPL liabilities designated as such on initial recognition</i>	<i>FVTPL liabilities classified as held for trading</i>	<i>Liabilities at amortised cost</i>	<i>Fair value</i>	<i>Effect on the income statement</i>	<i>Effect on equity</i>
<i>(in thousands of euro)</i>													
NON-CURRENT ASSETS													
Other investments	7.e.	5,323	--	--	--	--	5,323	--	--	--	5,323	1,749	--
Other assets (*)	7.f.	61,461	--	--	60,776	685	--	--	--	--	61,461	3,500	--
Financial assets available-for-sale	7.g.	85,009	--	--	--	--	85,009	--	--	--	85,009	18,118	114
CURRENT ASSETS													
Trade receivables	8.b.	414,246	--	--	414,246	--	--	--	--	--	414,246	(4,866)	--
Other assets (**)	8.c.	46,019	--	--	46,019	--	--	--	--	--	46,019	(300)	--
Financial receivables	8.d.	30,183	16,051	--	14,132	--	--	--	--	--	30,183	3,327	15,770
Securities	8.e.	66,157	62,207	--	--	3,950	--	--	--	--	66,157	5,722	--
Financial assets available-for-sale	8.f.	234,012	--	--	--	--	234,012	--	--	--	234,012	2,936	2,054
Cash and cash equivalents	8.g.	333,263	--	--	333,263	--	--	--	--	--	333,263	862	--
NON-CURRENT LIABILITIES													
Bonds	10.a.	(283,742)	--	--	--	--	--	--	--	(283,742)	(326,020)	(20,105)	--
Other loans and borrowings	10.b.	(311,815)	--	--	--	--	--	(7,550)	--	(304,265)	(300,320)	(15,479)	(9,555)
Trade payables		(2,469)	--	--	--	--	--	--	--	(2,469)	(2,469)	--	--
CURRENT LIABILITIES													
Bank loans and borrowings	8.g.	(12,771)	--	--	--	--	--	--	--	(12,771)	(12,771)	(894)	--
Bonds	11.a.	(20,980)	--	--	--	--	--	--	--	(20,980)	(21,473)	--	--
Other loans and borrowings	11.b.	(201,179)	--	--	--	--	--	(1,975)	--	(199,204)	(201,737)	(1,827)	(114)
Trade payables	11.c.	(433,354)	--	--	--	--	--	--	--	(433,354)	(433,354)	556	--

(*) Not including € 17,638 thousand of tax receivables.

(**) Not including € 46,844 thousand of tax receivables.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS
2017

<i>(in thousands of euro)</i>	<i>F.S. items</i>	<i>Carrying amount</i>	<i>FVTPL assets designated as such on initial recognition</i>	<i>FVTPL assets classified as held for trading</i>	<i>Loans and receivables</i>	<i>Investments held to maturity</i>	<i>Financial assets available-for-sale</i>	<i>FVTPL liabilities designated as such on initial recognition</i>	<i>FVTPL liabilities classified as held for trading</i>	<i>Liabilities at amortised cost</i>	<i>Fair value</i>	<i>Effect on the income statement</i>	<i>Effect on equity</i>
NON-CURRENT ASSETS													
Other investments	7.e.	12,249	--	--	--	--	12,249	--	--	--	12,249	266	--
Other assets (*)	7.f.	32,618	--	--	32,618	--	--	--	--	--	32,618	63	--
Financial assets available-for-sale	7.g.	79,511	--	--	--	--	79,511	--	--	--	79,511	23,023	(183)
CURRENT ASSETS													
Trade receivables	8.b.	472,614	--	--	472,614	--	--	--	--	--	472,614	(1,082)	--
Other receivables (**)	8.c.	56,441	--	--	56,441	--	--	--	--	--	56,441	--	--
Financial receivables	8.d.	38,986	4,964	--	34,022	--	--	--	--	--	38,986	(13,538)	2,215
Securities	8.e.	57,228	57,228	--	--	--	--	--	--	--	57,228	2,524	--
Available-for-sale financial assets	8.f.	235,251	--	--	--	--	235,251	--	--	--	235,251	5,843	877
Cash and cash equivalents	8.g.	263,065	--	--	263,065	--	--	--	--	--	263,065	735	--
NON-CURRENT LIABILITIES													
Bonds	10.a.	(365,112)	--	--	--	--	--	--	--	(365,112)	(407,251)	(20,618)	--
Other loans and borrowings	10.b.	(281,863)	--	--	--	--	--	--	--	--	(281,863)	(11,765)	(5,301)
Trade payables		(2,156)	--	--	--	--	--	--	--	(2,156)	(2,156)	--	--
CURRENT LIABILITIES													
Bank loans and borrowings	8.g.	(17,551)	--	--	--	--	--	--	--	(17,551)	(17,551)	(652)	--
Bonds	11.a.	(20,168)	--	--	--	--	--	--	--	--	(20,699)	--	--
Other loans and borrowings	11.b.	(213,458)	--	--	--	--	--	(3,396)	--	(210,062)	(212,996)	(1,926)	(106)
Trade payables	11.c.	(469,451)	--	--	--	--	--	--	--	(469,451)	(469,451)	(96)	--

(*) Not including € 24,256 thousand of tax receivables.

(**) Not including € 48,766 thousand of tax receivables.

RISK CATEGORIES - 2017

(in thousands of euro)	<i>F.S. items</i>	<i>Carrying amount</i>	<i>Liquidity risk</i>	<i>Interest rate risk</i>	<i>Exchange rate risk</i>	<i>Credit risk</i>
NON-CURRENT ASSETS						
Other investments	7.e.	12,249	--	--	--	12,249
Other assets (*)	7.f.	32,618	--	--	--	32,618
Financial assets available-for-sale	7.g.	79,511	--	--	--	79,511
CURRENT ASSETS						
Trade receivables	8.b.	472,614	--	--	--	472,614
Other assets(**)	8.c.	56,441	--	--	--	56,441
Loan assets	8.d.	38,986	--	--	--	38,986
Securities	8.e.	57,228	--	--	--	57,228
Financial assets available-for-sale	8.f.	235,251	--	--	--	235,251
Cash and cash equivalents	8.g.	263,065	--	263,065	--	--
NON-CURRENT LIABILITIES						
Bonds	10.a.	(365,112)	(365,112)	--	--	--
Other borrowings	10.b.	(281,863)	(281,863)	--	--	--
Trade payables		(2,156)	(2,156)	--	--	--
CURRENT LIABILITIES						
Bank loans and borrowings	8.g.	(17,551)	(17,551)	--	--	--
Bonds	11.a.	(20,168)	(20,168)	--	--	--
Other loans and borrowings	11.b.	(213,458)	(213,458)	--	--	--
Trade payables	11.c.	(469,451)	(469,451)	--	--	--

(*) Not including € 24,256 thousand of tax receivables

(**) Not including € 48,766 thousand of tax receivables

RISK CATEGORIES - 2016

(in thousands of euro)	<i>F.S. items</i>	<i>Carrying amount</i>	<i>Liquidity risk</i>	<i>Interest rate risk</i>	<i>Exchange rate risk</i>	<i>Credit risk</i>
NON-CURRENT ASSETS						
Other investments	7.e.	5,323	--	--	--	5,323
Other assets (*)	7.f.	61,461	--	--	--	61,461
Financial assets available-for-sale	7.g.	85,009	--	--	--	85,009
CURRENT ASSETS						
Trade receivables	8.b.	414,246	--	--	--	414,246
Other assets(**)	8.c.	46,019	--	--	--	46,019
Loan assets	8.d.	30,183	--	--	--	30,183
Securities	8.e.	66,157	--	--	--	66,157
Financial assets available-for-sale	8.f.	234,012	--	--	--	234,012
Cash and cash equivalents	8.g.	333,263	--	333,263	--	--
NON-CURRENT LIABILITIES						
Bonds	10.a.	(283,742)	(283,742)	--	--	--
Other loans and borrowings	10.b.	(311,815)	(311,815)	--	--	--
Trade payables		(2,469)	(2,469)	--	--	--
CURRENT LIABILITIES						
Bank loans and borrowings	8.g.	(12,771)	(12,771)	--	--	--
Bonds	11.a.	(20,980)	(20,980)	--	--	--
Other loans and borrowings	11.b.	(201,179)	(201,179)	--	--	--
Trade payables	11.c.	(433,354)	(433,354)	--	--	--

(*) Not including € 17,638 thousand of tax receivables

(**) Not including € 46,844 thousand of tax receivables

CREDIT RISK

(in thousands of euro)

Position at 31 December 2017	F.S. items	Total receivables	Not yet due	Past due by >
Other assets – (non-current assets) (*)	7.f.	32,618	32,618	--
Gross receivable		41,811	41,373	438
Provision for write-downs		(9,193)	(8,755)	(438)
Trade receivables	8.b.	472,614	298,298	174,316
Gross receivable		518,901	307,773	211,128
Provision for write-downs		(46,287)	(9,475)	(36,812)
Other assets – (current assets) (**)	8.c.	56,441	56,441	--
Gross receivable		62,834	59,669	3,165
Provision for write-downs		(6,393)	(3,228)	(3,165)
Total		561,673	387,357	174,316

0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write-downs
--	--	--	--	--	
--	--	--	438	--	
--	--	--	(438)	--	(2,082)
77,663	38,045	11,319	47,289	--	
81,696	39,100	11,698	78,634	--	
(4,033)	(1,055)	(379)	(31,345)	--	(5,768)
--	--	--	--	--	
--	--	--	3,165	--	
--	--	--	(3,165)	--	(161)
77,663	38,045	11,319	47,289	--	(8,011)

(*) Not including € 24,256 thousand of tax receivables

(**) Not including € 48,766 thousand of tax receivables

(in thousands of euro)

Position at 31 December 2016	F.S. items	Total receivables	Not yet due	Past due by >
Other assets (non-current assets) (*)	7.f.	61,461	22,551	38,910
Gross receivable		101,844	24,885	76,959
Provision for write-downs		(40,383)	(2,334)	(38,049)
Trade receivables	8.b.	414,246	292,453	121,793
Gross receivable		453,807	300,016	153,791
Provision for write-downs		(39,561)	(7,563)	(31,998)
Other assets (current assets) (**)	8.c.	46,019	46,019	--
Gross receivable		50,094	46,533	3,561
Provision for write-downs		(4,075)	(514)	(3,561)
Total		521,726	361,023	160,703

0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write-downs
--	--	--	38,910	--	
--	--	--	76,959	--	
--	--	--	(38,049)	--	(737)
42,334	11,943	6,809	60,707	--	
43,710	12,196	6,969	90,916	--	
(1,376)	(253)	(160)	(30,209)	--	(6,567)
--	--	--	--	--	
293	--	--	3,268	--	
(293)	--	--	(3,268)	--	(257)
42,334	11,943	6,809	99,617	--	(7,561)

(*) Not including € 17,638 thousand of tax receivables

(**) Not including € 46,844 thousand of tax receivables

PROVISION FOR WRITE-DOWN OF RECEIVABLES

(in thousands of euro)

	Opening balance	Write-downs	Uses	Exchange difference +/-	Business combinations +/-	Other changes	Closing balance
Position at 31 December 2017							
Provision for write-down of receivables	(84,019)	(8,011)	18,120	131	18,327	(6,421)	(61,873)

(in thousands of euro)

	Opening balance	Write-downs	Uses	Exchange difference +/-	Business combinations +/-	Discontinued operations	Closing balance
Position at 31 December 2016							
Provision for write-down of receivables	(81,863)	(7,561)	7,503	(67)	(2,031)	--	(84,019)

LIQUIDITY RISK - 2017

(in thousands of euro)	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non derivative financial liabilities							
Bonds	27,287	25,635	148,015	105,638	18,248	116,074	440,897
Other loans and borrowings:							
- Due to banks for loans	112,701	97,275	37,924	32,736	35,854	17,675	334,165
- Due to leasing companies	13,430	13,068	11,505	11,440	12,533	26,235	88,211
- Due to other providers of finance	93,933	420	276	228	309	830	95,996
Bank loans and borrowings	18,138	--	--	--	--	--	18,138
Trade payables	469,451	--	--	--	--	--	469,451
Derivative financial liabilities							
Hedging derivatives	4,937	(953)	(936)	(664)	(306)	(90)	1,988
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	739,877	135,445	196,784	149,378	66,638	160,724	1,448,846

LIQUIDITY RISK - 2016

(in thousands of euro)	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non derivative financial liabilities							
Bonds	28,338	26,530	123,381	46,259	100,657	32,601	357,766
Other loans and borrowings:							
- Due to banks for loans	165,656	102,635	64,775	24,089	10,898	11,825	379,878
- Due to leasing companies	14,679	14,891	14,382	12,872	12,868	50,158	119,850
- Due to other providers of finance	29,101	430	420	276	228	633	31,088
Bank loans and borrowings	13,683	--	--	--	--	--	13,683
Trade payables	433,354	--	--	--	--	--	433,354
Derivative financial liabilities							
Hedging derivatives	6,034	8,503	(953)	(936)	(664)	(395)	11,589
Non-hedging derivatives	482	--	--	--	--	--	482
TOTAL	691,327	152,989	202,005	82,560	123,987	94,822	1,347,690

20. Guarantees and commitments

At 31 December 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 & financial holding companies

Commitments for private equity fund investments by CIR International for € 5.7 million.

▪ GEDI Group

At 31 December 2017 the group had outstanding commitments of € 21,186 thousand in relation to:

- contracts for the purchase of plants and other printing equipment for € 1,157 thousand;
- guarantees given by the Parent to the companies involved in the Group VAT return for € 14,663 thousand;
- other guarantees for € 5,366 thousand, which mainly relate to guarantees given by the Parent Company and the subsidiaries GEDI News Network, Nord-Est division and A. Manzoni & C..

▪ 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;

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

The main operating leases outstanding at 31 December 2017 refer to the following subsidiaries:

- Sogefi Filtration do Brasil Ltda. for the lease of the Jarinu production site the contract of which will expire in August 2034. At 31 December 2017 the residual instalments amount to € 24,928 thousand, of which € 1,558 thousand due within one year. Against this contract, the company has gave a bank guarantee for € 1,809 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 31 December 2017 the residual instalments amount to € 13,789 thousand, of which € 746 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Sogefi Filtration France S.A. for the lease of the Guyancourt offices. The two contracts terminate in March 2020 and May 2027. At 31 December 2017 the remaining instalments amount to € 5,192 thousand, of which € 682 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 31 December 2017 amount to € 916 thousand, of which € 333 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Sogefi Suspension Argentina S.A. for the lease of the Cordoba production site. The contract expires in October 2019. The residual instalments at 31 December 2017 amount to € 1,074 thousand, of which € 586 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 31 December 2017 the residual instalments amount to € 2,817 thousand, of which € 1,069 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 31 December 2017 the residual instalments amount to € 19,800 thousand, of which € 1,385 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 100% of the residual lease instalments;
- Allevard Sogefi U.S.A. Inc. for the lease of the production site in Prichard (West Virginia). The contract terminates in May 2019 and the residual instalments at 31 December 2017 amount to € 498 thousand, of which € 360 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 81% of the residual lease instalments. The guarantee is renewed at the end of each year based on the residual amount outstanding. There are no restrictions of any kind connected with this kind of leasing and, at the end of the contract, the US company will have the right to buy the property at its market value.

Future lease payments under the Sogefi Group's operating lease contracts at 31 December 2017 are as follow:

<i>(in thousands of euro)</i>	2017	2016
Within 1 year	12,179	11,513
1-5 years	34,734	36,525
Over 5 years	37,958	44,165
Total	84,871	92,203

Investment commitments

At 31 December 2016 there are binding commitments for investments relating to the purchase of tangible assets of € 785 thousand.

Guarantees given

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	31.12.2017	31.12.2016
Guarantees given to third parties	7,210	7,373
Other unsecured guarantees given to third parties	2,541	2,463
Secured guarantees given for borrowings shown in the financial statements	2,130	7,433

The sureties given in favour of third parties relate to guarantees given to certain customers by Sogefi Suspensions Heavy duty Italy S.r.l., to the supplier of a operating lease contract by Sogefi Filtration do Brasil Ltda and to the Tax Authorities for VAT and other indirect taxes by Sogefi S.p.A. and by Sogefi Filtration Ltd; sureties are shown at the value of the outstanding commitment as of the reporting date. These items indicate risks, commitments and guarantees given by Group companies to third parties.

"Other unsecured guarantees given to third parties" refer to the commitment of 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 and Sogefi M.N.R. Engine Systems India Private Ltd which, for the loans obtained, have granted to the lenders secured guarantees over their property, plant and equipment and trade receivables.

Other risks

At 31 December 2017 the Sogefi Group held assets belonging to third parties on its premises for € 14,884 thousand.

▪ KOS Group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. and/or other subsidiaries for a total of € 19,390 thousand:

- a guarantee on behalf of KOS S.p.A. for the lease of the Via Durini offices for € 46 thousand;
- a guarantee on behalf of KOS Care S.r.l. for lease contracts worth € 18,288 thousand;
- a guarantee on behalf of Medipass S.r.l. and its subsidiaries for lease contracts worth € 831 thousand;
- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand.

At 31 December 2017, other commitments and risks amounted to € 6,654 thousand, mainly related to:

- assets on free loan for € 2,986 thousand;
- guarantees issued by Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand;
- tenders for € 64 thousand;
- third-party commitments to sell for € 365 thousand;
- contractual commitments of around € 2,286 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 49 care homes for the elderly in operation at the reporting date, 8 are owned, as well as 12 of the 31 functional and psychiatric rehabilitation facilities are owned. The other facilities (day hospitals, psychiatric treatment communities, diagnostics departments) are generally leased.

The following chart shows the residual lease payments. The amounts are shown net of VAT.

<i>(in thousands of euro)</i>	<i>Reporting year</i>	<i><1 year</i>	<i>>1 <2 years</i>	<i>>2 < 3 years</i>	<i>>3 < 4 years</i>	<i>>4 < 5 years</i>	<i>> 5 years</i>
Residual property lease payments	31/12/2016	25,946	26,353	26,239	26,169	25,897	241,610
Residual property lease payments	31/12/2017	30,331	30,452	30,370	30,223	29,968	274,442

21. Information on the business sector

The business segments 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.

Economic and financial information by business segment (primary segment) is provided on the next two pages, whereas details of revenue by geographical area (secondary segment) can be found in Note 12 "Revenue".

An analysis of assets, investments, depreciation/amortisation and write-downs by geographical area is shown in the following chart.

<i>(in thousands of euro)</i>	<i>Assets</i>	<i>Investments</i>	<i>Depr/amort. & write-downs</i>
Italy	4,475,360	98,782	62,157
Other European countries	816,625	55,402	35,028
North America	139,890	14,585	10,557
South America	80,941	5,424	10,910
Asia	156,567	23,680	12,163
Consolidation gains(losses)	(2,097,897)	(3,916)	5,361
Total assets	3,571,486	193,957	136,176

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

(in millions of euro)

(in millions of euro)

2017														2016
AGGREGATE	Revenue	Costs of production	Other operating income and expense	Amortisation/ depreciation and write-downs	Operating profit	Net financial income and expense	Dividends, net gains and losses on trading and the valuation of securities	Fair value losses on equity accounted investments	Income taxes	Profit(loss) from discontinued operations	Non-controlling interests	Profit(loss) for the year	Profit(loss) for the year	
	(1)	(2)				(3)	(4)							
CONSOLIDATED														
GEDI Group	633.7	(577.2)	(3.3)	(24.5)	28.7	(9.4)	0.2	(0.4)	(150.5)	8.2	92.0	(31.2)	3.2	
Sogefi Group	1,672.4	(1,475.3)	(31.3)	(80.4)	85.4	(31.7)	--	--	(23.0)	--	(22.3)	8.4	2.9	
KOS Group	490.6	(390.7)	(16.4)	(29.7)	53.8	(11.5)	(0.2)	(0.1)	(11.3)	--	(21.1)	9.6	7.6	
Total for main subsidiaries	2,796.7	(2,443.2)	(51.0)	(134.6)	167.9	(52.6)	--	(0.5)	(184.8)	8.2	48.6	(13.2)	13.7	
Other subsidiaries	--	(3.0)	2.7	--	(0.3)	--	--	--	--	--	--	(0.3)	(0.3)	
Total industrial subsidiaries	2,796.7	(2,446.2)	(48.3)	(134.6)	167.6	(52.6)	--	(0.5)	(184.8)	8.2	48.6	(13.5)	13.4	
CIR and other non-industrial subsidiaries	--	(12.8)	1.0	(1.5)	(13.3)	3.3	24.8	--	4.2	(0.6)	(8.2)	10.2	5.0	
COFIDE														
Revenue	--											--	--	
Net operating costs		(1.0)										(1.0)	(1.3)	
Other operating income & expense			(0.4)									(0.4)	(0.3)	
Amortisation/depreciation and write-downs				(0.1)								(0.1)	(0.1)	
Operating profit(loss)					(1.5)									
Net financial income & expense						(0.9)						(0.9)	(1.1)	
Dividends and net gains from securities trading							2.8					2.8	5.9	
Fair value losses on equity accounted investees								--				--	--	
Income taxes									(0.1)			(0.1)	(0.3)	
Loss from discontinued operations										--		--	--	
Consolidated total for the Group	2,796.7	(2,460.0)	(47.7)	(136.2)	152.8	(50.2)	27.6	(0.5)	(180.7)	7.6	40.4	(3.0)	21.2	

1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel costs" in the consolidated income statement. This item does not take into consideration the € (2.4) million effect of intercompany eliminations.

2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not take into consideration the € (2.4) million effect of intercompany eliminations.

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

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

CONSOLIDATED FINANCIAL POSITION BY BUSINESS SEGMENT

(in millions of euro)

	31.12.2017					31.12.2016		
	Non-current assets	Other net non-current assets and liabilities	Net working capital	Net financial indebtedness	Total equity	Non-controlling interests	Group equity	Group equity
CONSOLIDATED								
AGGREGATE								
	(1)	(2)	(3)	(4)				
GEDI Group	811.2	(163.8)	25.2	(115.1)	557.5	416.3	141.2	184.7
Sogefi Group	548.4	(52.6)	(25.0)	(264.0)	206.8	147.4	59.4	53.9
KOS Group	607.2	(22.0)	(54.5)	(237.1)	293.6	198.8	94.8	88.0
Other subsidiaries	--	(0.5)	0.7	0.7	0.9	0.4	0.5	0.4
Total industrial subsidiaries	1,966.8	(238.9)	(53.6)	(615.5)	1,058.8	762.9	295.9	327.0
CIR and other non-industrial subsidiaries	18.4	69.3	2.9	343.0	433.6	193.2	240.4	248.0
COFIDE								
Non-current assets	1.1				1.1		1.1	1.2
Other net non-current assets and liabilities		20.3			20.3		20.3	12.9
Net working capital			(1.9)		(1.9)		(1.9)	(2.4)
Net financial indebtedness				(31.1)	(31.1)		(31.1)	(23.3)
Group Total	1,986.3	(149.3)	(52.6)	(303.6)	1,480.8	956.1	524.7	563.4

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

22. Joint ventures

The Group does not hold direct equity investments in joint ventures at 31 December 2017.

23. Net financial position

The net financial position in accordance with Consob Resolution no. 6064293 dated 28 July 2006 is as follows:

<i>(in thousands of euro)</i>	31.12.2017		31.12.2016	
A. Cash and bank deposits		263,065		333,263
B. Other cash equivalents		235,251		234,012
C. Securities held for trading		57,228		66,157
D. Cash and cash equivalents (A) + (B) + (C)		555,544		633,432
E. Current loan assets		38,986		30,183
F. Current bank payables	(*)	(118,604)	(*)	(168,647)
G. Bonds		(20,168)		(20,980)
H. Current portion of non-current debt		(112,405)		(45,303)
I. Other current loans and borrowings		--		--
J. Current financial indebtedness (F)+(G)+(H)+(I)		(251,177)		(234,930)
K. Current net financial position (J)+(E)+(D)		343,353		428,685
L. Non-current bank loans and borrowings	(**)	(211,709)	(**)	(207,911)
M. Bonds issued		(365,112)		(283,742)
N. Other non-current payables	(**)	(70,154)	(**)	(103,904)
O. Non-current financial indebtedness (L)+(M)+(N)		(646,975)		(595,557)
P. Net financial position (K)+(O)		(303,622)		(166,872)

(*) 101,053 thousand (€ 118,604- € 17,551) is classified in the Statement of Financial Position under "Other loans and borrowings".

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

Information required by IAS 7 (44a and 44c)

<i>(in thousands of euro)</i>	<i>Bonds</i>	<i>Bank loans and borrowings</i>	<i>Other loans and borrowings</i>	<i>Total financial liabilities</i>
Balance at 31 December 2016	304,722	363,787	149,207	817,716
Cash flows	80,558	(60,338)	25,902	46,122
ITEDI integration	--	9,313	7,450	16,763
Balance at 31 December 2017	385,280	312,762	182,559	880,601

(*) The item corresponds to the sum of the G and M lines of the schedule according to the Consob communication.

(**) The total amount of "Bank loans and borrowings" and "Other loans and borrowings" of € 495,321 thousand corresponds to the sum of lines F (€ 101,053 thousand), H, L and N of the schedule according to the Consob communication.

24. Disclosures regarding share-based payment plans

The following chart shows the stock option plans of CIR S.p.A.

CIR - STOCK OPTION PLANS AT 31 DECEMBER 2017

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options expired during the period		Options in circulation at end of period			Options exercisable at end of period	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock Option Plan 2006 - 2nd tranche	2,175,000	2.47	-	-	-	-	2,175,000	2.47	-	-	-	-	-
Extraordinary Stock Option Plan 1st tranche	3,050,000	3.0877	-	-	-	-	3,050,000	3.09	-	-	-	-	-
Extraordinary Stock Option Plan 2nd tranche	3,050,000	2.7344	-	-	-	-	-	-	3,050,000	2.7344	0.25	3,050,000	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,110,000	1.6806	-	-	-	-	-	-	3,110,000	1.6806	0.75	3,110,000	1.6806
Extraordinary Stock Option Plan 4th tranche	2,203,500	1.0718	-	-	-	-	-	-	2,203,500	1.0718	1.25	2,203,500	1.0718
1st tranche 2009	1,947,800	0.9907	-	-	-	-	23,000	0.9907	1,924,800	0.9907	1.75	1,924,800	0.9907
2nd tranche 2009	3,136,000	1.5449	-	-	-	-	50,000	1.5449	3,086,000	1.5449	2.16	3,086,000	1.5449
1st tranche 2010	3,206,000	1.6208	-	-	-	-	60,000	1.6208	3,146,000	1.6208	2.75	3,146,000	1.6208
2nd tranche 2010	3,128,000	1.4982	-	-	-	-	60,000	1.4982	3,068,000	1.4982	3.16	3,068,000	1.4982
Total	25,006,300	1.8945	-	-	-	-	5,418,000	2.7827	19,588,300	1.6489	1.75	19,588,300	1.6489

CIR - STOCK GRANT PLANS AT 31 DECEMBER 2017

	Financial instruments in circulation at start of period		Financial instruments granted during the period		Financial instruments exercised during the period		Financial instruments expired in 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	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	-	-	-	-	3,022,453	0.8003	-	-	-	-	-
Stock Grant Plan 2014	1,761,574	1.1300	-	-	-	-	100,000	1.1300	1,661,574	1.1300	6.50	-	-
Stock Grant Plan 2015	1,680,000	1.0916	2,966	1.0916	170,000	1.0916	81,250	1.0916	1,431,716	1.0916	7.33	246,716	1.0916
Stock Grant Plans 2015 reserved to the General Manager	1,000,000	1.0940	-	-	-	-	-	-	1,000,000	1.0940	7.33	750,000	1.0940
Stock Grant Plan 2016	1,750,000	1.0587	-	-	-	-	103,000	1.0587	1,647,000	1.0587	8.33	-	-
Stock Grant Plan 2017	-	-	1,555,600	1.4359	-	-	91,558	1.4359	1,464,042	1.4359	9.33	-	-
Total	10,221,773	1.0100	1,558,566	1.4352	1,177,746	1.1199	3,398,261	0.8419	7,204,332	1.1632	7.77	996,716	1.0934

CIR S.p.A. - Stock Grant Plans

The stock grant plans involve the free of charge assignment of so called Units which are not transferable to third parties or other beneficiaries, each of which offering the right of assignment of one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.

The regulations envisage a minimum holding of the shares covered by the Plan.

Shares assigned in implementation of the Plans will be made available exclusively from treasury shares held by CIR S.p.A. The regulations state that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights and at the date that they are exercised.

With reference to plans issued in the last three years, note that:

- On 27 April 2015 the Shareholders' Meeting approved the 2015 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the Parent and subsidiaries, for a maximum of 2,800,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2017 to 31 January 2019. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 940,000 time units were assigned during the year, whose maturity is subject to continued service, and 940,000 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts to € 1.0892.
- On 27 April 2015 the Shareholders' Meeting approved the 2015 Stock Grant Plan reserved for the General Manager of CIR S.p.A. for a maximum of 1,100,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 25% of the related total, each of which maturing on a quarterly basis from 30 June 2017 to 31 March 2018. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,000,000 time units were assigned during the year, whose maturity is subject to continued service.
- On 29 April 2016 the Shareholders' Meeting approved the 2016 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the Parent and subsidiaries, for a maximum of 2,400,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2018 to 31 January 2020. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 875,000 time units were assigned during the year, whose maturity is subject to continued service, and 875,000 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts to € 1.0273.
- On 28 April 2017 the Shareholders' Meeting approved the 2017 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the Parent and subsidiaries, for a

maximum of 2,000,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2019 to 31 January 2021. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 777,800 time units were assigned during the year, whose maturity is subject to continued service, and 777,800 performance units, whose maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts to € 1.4359.

The notional cost of the Plans for the year was € 1,801 thousand, recognised under "Personnel costs" in the Income Statement.

GEDI Gruppo Editoriale S.p.A.

The GEDI group recognises additional benefits for executives of the company and subsidiaries that hold key positions within the group, through share-based compensation plans. In particular, the plans adopted by the group provide for the assignment of rights to share capital (i.e. stock options and stock grants). In the past, plans were also adopted for the granting of rights that entailed the recognition in favour of beneficiaries of an extraordinary payment based on the performance of the reference stock (so-called phantom stock options); however, in light of the changes in the tax regulations governing employee incentives, the shareholders' meeting of GEDI Gruppo Editoriale S.p.A. held on 22 April 2009 resolved to cancel the existing 2007 and 2008 Phantom Stock Option Plans (Phantom Plans) and replace them with an extraordinary stock option plan (i) exclusively reserved for the same persons who were already beneficiaries of the Phantom Plans and still employees of the GEDI group and (ii) governed, *mutatis mutandis*, by the same terms and conditions of the Phantom Plans. All of the stock option plans adopted by the Group provide for the beneficiaries to exercise, at a specified price and within a predefined time frame, an option to subscribe new shares of the Company to be issued pursuant to specific resolutions. The related regulations, among other terms and conditions, also govern the fate of the options in the event of termination, for whatever reason, of the employment relationship. The 2011, 2012, 2013, 2014, 2015, 2016 and 2017 Stock Grant Plans approved by the shareholders' meeting of GEDI Gruppo Editoriale S.p.A. on 20 April 2011, 23 April 2012, 18 April 2013, 16 April 2014, 23 April 2015, 21 April 2016 and 27 April 2017 respectively provide for the allocation to beneficiaries of a certain number of conditional rights (Units) to receive ordinary shares already held in portfolio by the company (treasury shares), at a specified price and within a predefined period of time. As for stock options, also for stock grants, the regulation, among other terms and conditions, regulates the fate of the units in the event of termination, for whatever reason, of the employment relationship.

The terms and conditions of the issues made over the last three years are summarised below.

Stock Grant Plan 2015

The Board of Directors of 23 April 2015, availing itself of the power delegated by the Shareholders' Meeting held on 23 April 2015, resolved to approve the 2015 stock grant plan, as proposed by the Appointments and Remuneration Committee, to be reserved for employees of the Parent Company and its subsidiaries. The strike price is determined according to art. 9, paragraph IV, of the Consolidated Direct Taxes Act referring to the straight average of the official stock exchange prices of the company's shares posted in the last month prior to the grant date.

On 23 April 2015, at the price of € 1.24, a total of 1,420,000 units were allocated, divided between Time-based Units (710,000) and Performance Units (710,000). The Time-based Units have matured

and will mature, with corresponding entitlement of the Beneficiaries to assignment of the shares free of charge, in quarterly tranches equal to 12.5% of the total amount starting from 23 April 2017. The Performance Units not yet matured will mature at the same vesting dates as the Time-based Units, but only on condition that corporate and equity performance targets are met.

At 31 December 2017, in accordance with the regulation, there are 469,682 Time-based Units and 525,000 Performance Units outstanding; 55,318 Time-based Units have been exercised; 20,000 Time-based Units and 20,000 Performance Units were cancelled during the year.

Stock Grant Plan 2016

The Board of Directors of 21 April 2016, availing itself of the power delegated by the Shareholders' Meeting held on 21 April 2016, resolved to approve the 2016 stock grant plan, as proposed by the Appointments and Remuneration Committee, to be reserved for employees of the Parent and its subsidiaries. The strike price is determined according to art. 9, paragraph IV, of the Consolidated Direct Taxes Act referring to the straight average of the official stock exchange prices of the company's shares posted in the last month prior to the grant date.

On 21 April 2016, at a price of € 0.9531, a total of 1,315,000 Units were allocated, divided between Time-based Units (657,500) and Performance Units (657,500). The Time-based Units will mature, with corresponding entitlement of the Beneficiaries to assignment of the shares free of charge, in quarterly tranches equal to 12.5% of the total amount starting from 21 April 2018.

The performance Units that should have matured on the same vesting dates as the Time-based Units, but only on condition that corporate and equity performance targets were met, will not mature, as the condition envisaged in the Plan was not fulfilled.

At 31 December 2017, in accordance with the regulation, there are 555,000 Time-based Units outstanding and 555,000 Performance Units have lapsed.

Stock Grant Plan 2017

The Board of Directors of 26 April 2017, availing itself of the power delegated by the Shareholders' Meeting held on 27 April 2017, resolved to approve the 2017 stock grant plan, as proposed by the Appointments and Remuneration Committee, to be reserved for employees of the Parent and its subsidiaries. The strike price is determined according to art. 9, paragraph IV, of the Consolidated Direct Taxes Act referring to the straight average of the official stock exchange prices of the company's shares posted in the last month prior to the grant date.

On 26 April 2017, at a price of € 0.7785, a total of 1,465,000 Units were allocated, divided between Time-based Units (732,500) and Performance Units (732,500). The Time-based Units will mature, with corresponding entitlement of the Beneficiaries to assignment of the shares free of charge, in quarterly tranches equal to 12.5% of the total amount starting from 26 July 2019.

The Performance Units will mature on the same vesting dates as the Time-based Units, but only on condition that corporate and equity performance targets are met.

At 31 December 2017, in accordance with the regulation, there are 707,500 Time-based Units and 707,500 Performance Units outstanding; 25,000 Time-based Units and 25,000 Performance Units were cancelled.

The chart below shows the stock option plans of the GEDI Group.

GEDI GRUPPO EDITORIALE - STOCK OPTIONS PLANS AT 31 DECEMBER 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	--	--	942,500	3.84	--	--	--	--	--	--	--
Extraordinary stock option plan 2009 - 2nd tranche	942,500	3.60	--	--	15,000	3.60	--	--	927,500	3.60	0.25	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	0.75	1,062,500	2.22
Extraordinary stock option plan 2009 - 4th tranche	603,200	1.37	--	--	5,100	1.37	--	--	598,100	1.37	1.25	598,100	1.37
Ordinary stock option plan 2009 - 1st tranche	338,850	1.00	--	--	--	--	--	--	338,850	1.00	1.75	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	2.25	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	2.75	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	3.25	1,586,900	1.58
Total	9,549,950	2.37			1,675,100	3.78			7,874,850	2.07	2.03	7,874,850	2.07

GEDI GRUPPO EDITORIALE - STOCK GRANT PLANS AT 31 DECEMBER 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	--	--	2,500	0.83	98,740	0.83	262,819	0.83	262,819	0.83
Performance-based units	386,560	0.83	--	--	174,965	0.83	29,066	0.83	182,529	0.83	176,903	0.83
2014												
Time-based units	479,375	1.70	--	--	10,000	1.70	131,883	1.70	337,492	1.70	276,277	1.70
Performance-based units	551,252	1.70	--	--	10,000	1.70	--	--	541,252	1.70	--	--
2015												
Time-based units	545,000	1.24	--	--	20,000	1.24	55,318	1.24	469,682	1.24	141,575	1.24
Performance-based units	545,000	1.24	--	--	20,000	1.24	--	--	525,000	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	--	--	--	--	--	--
2017												
Time-based units	--	--	732,500	0.78	25,000	0.78	--	--	707,500	0.78	--	--
Performance-based units	--	--	732,500	0.78	25,000	0.78	--	--	707,500	0.78	--	--

Sogefi S.p.A. - Stock Grant Plans

Sogefi S.p.A. implements payment plans based on Sogefi S.p.A. shares reserved for the Chief Executive Officer of the Company and for executives of the Company and its subsidiaries who hold strategic positions in the Group, with the aim of rewarding their loyalty to the Group and giving them an incentive to increase their commitment to improving company performance and creating long-term value.

The payment plans based on Sogefi S.p.A. shares are approved in advance by the Shareholders' Meeting.

Except for those indicated under "Stock grant plans, stock option plans and phantom stock option plans" below, the Group has not entered into any other transaction that envisages the purchase of goods or services using share-based payments or payments based on any other equity instrument, so it is not necessary to provide the fair value of such goods or services.

In addition to the one issued in 2017, the Group issued plans from 2008 to 2016, the main characteristics of which are reported below.

Stock Grant Plans

The Stock Grant Plans involve the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment free of charge of one Sogefi S.p.A. share. The Plan envisages two classes of rights: time-based units, which vest subject to the passing of a fixed period of time, and performance units, which vest subject to the passing of a term and the achievement of certain objectives established in the Plan Regulations.

The Regulations envisage a minimum holding of the shares covered by the Plan.

Shares assigned in implementation of the Plans will be made available exclusively from treasury shares held by Sogefi S.p.A. The Regulations say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

On 26 April 2017, the Board of Directors implemented the 2017 stock grant plan (approved by Shareholders' Meeting of the same date for a maximum of 750,000 units) reserved for employees of the Company and its subsidiaries by granting them a total of 287,144 units (of which 117,295 time-based units and 169,849 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 26 July 2019 to 26 April 2021.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

The fair value of the rights granted in 2017 was calculated at the grant date with the binomial model for the valuation of American options (the so-called "Cox, Ross and Rubinstein model") and comes to a total of € 1,106 thousand.

In particular, the input data used for the measurement of the fair value of the 2017 Stock Grant plan are summarised below:

- curve of EUR/GBP/SEK/CHF risk-free interest rates on 26 April 2017;
- prices of the underlying asset (i.e. the price of the Sogefi S.p.A. share on 26 April 2017, namely € 4.324) and of the securities in the benchmark basket, again posted on 26 April 2017;

- normal market prices of the Sogefi S.p.A. share and of the securities in the benchmark basket from 25 March 2017 to 25 April 2017, to calculate the threshold for the performance units of the stock grant;
- historical volatility at 260 days of the securities and exchange rates observed at 26 April 2017;
- zero dividend yield for the valuation of the stock grant;
- time series of logarithmic yields on the securities concerned and the EURGBP, EURSEK and EURCHF exchange rates to calculate the correlations between securities and the correlations between the 3 securities not denominated in Euro and the related exchange rates (for the adjustment of estimated trends), calculated for the period between 26 April 2016 to 26 April 2017.

The main characteristics of the stock grant plans approved in previous years and still outstanding are reported below:

- Stock Grant Plan 2011 for a maximum of 1,250,000 conditional rights reserved for the director serving as the Chief Executive Officer of the Parent at the plan issue date and for employees of the Company and its subsidiaries via allocation to them of a total of 757,500 units (of which: 320,400 Time-based Units and 437,100 Performance Units).

The time-based units matured in quarterly tranches, i.e. 12.5% of the total, from 20 April 2013 to 20 January 2015.

The Performance Units were expected to mature on the same vesting dates as the Time-based Units, but only on condition that the "normal market value" of the shares at each vesting date is at least equal to the percentage of the initial value laid down in the regulation. At the date of 20 January 2015, 92,354 Performance Units have lapsed in accordance with the regulation.

- Stock Grant Plan 2012 for a maximum of 1,600,000 conditional rights reserved for the director serving as the Chief Executive Officer of the Parent at the plan issue date and for employees of the Company and its subsidiaries via allocation to them of a total of 1,152,436 units (of which 480,011 Time-based Units and 672,425 Performance Units).

The Time-based Units were expected to mature in quarterly tranches, i.e. 12.5% of the total, from 20 April 2014 to 31 January 2016.

The Performance Units were expected to mature on the same vesting dates as the Time-based Units, but only on condition that the increase in the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeded the increase in the Sector Index (as defined in the regulation) as of the same date. At 31 January 2016, 421,164 Performance Units have lapsed in accordance with the regulation.

- 2013 Stock Grant Plan for a maximum of 1,700,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 1,041,358 units (of which 432,434 time-based units and 608,924 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2015 to 31 January 2017.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date. At the date of 31 January 2017, 175,109 Performance Units have lapsed in accordance with the regulation.

- 2014 Stock Grant Plan for a maximum of 750,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 378,567 units (of which 159,371 time-based units and 219,196 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2016 to 20 January 2018.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date. At the date of 20 January 2018, 53,877 Performance Units have lapsed in accordance with the regulation.

- 2015 Stock Grant Plan for a maximum of 1,500,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 441,004 units (of which 190,335 time-based units and 250,669 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 October 2017 to 20 July 2019.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

- 2016 Stock Grant Plan for a maximum of 750,000 conditional rights, reserved for the employees of the Company and its subsidiaries, by assigning them a total of 500,095 units (of which 217,036 time-based units and 283,059 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 27 July 2018 to 27 April 2020.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only on condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

The notional cost of the plans for 2017 is € 510 thousand.

The following table shows the total number of existing rights with respect to the plans for the period 2011-2017:

	2017	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	(357,662)	(717,307)
Exercised during the year	(180,256)	(373,693)
Not exercised/not exercisable at the end of the year	1,036,192	1,286,966
Exercisable at the end of the year	53,490	149,724

Stock Option Plans

The stock option plans offer beneficiaries the right to exercise an option to subscribe to a new issue of Sogefi shares at a given price and within a predefined period of time. The Regulations also say that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights.

The main characteristics of the stock option plans approved in previous years and still outstanding are as follows:

- Stock Option Plan 2008 reserved for employees of the foreign subsidiaries of Sogefi S.p.A. for a maximum of 875,000 shares (0.73% of share capital at 31 December 2017) with a strike price of € 2.1045, exercisable from 30 September 2008 to 30 September 2018;
- Stock Option Plan 2009 reserved for employees of Sogefi S.p.A. and its subsidiaries for a maximum of 2,335,000 shares (1.96% of share capital at 31 December 2017) with a strike price of € 1.0371, exercisable from 30 September 2009 to 30 September 2019;
- Extraordinary Stock Option Plan 2009 reserved for individuals who were already beneficiaries of Phantom Stock Option Plan 2008, who are still employees of Sogefi S.p.A. or of its subsidiaries, provided they renounce the rights resulting from the above-mentioned phantom stock option plans, for a maximum of 540,000 shares (equal to 0.45% of the share capital at 31 December 2017), with a strike price of € 2.1045, exercisable from 30 June 2009 to 30 September 2018;
- Stock Option Plan 2010 reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for employees of Sogefi S.p.A. and its subsidiaries for up to 2,440,000 shares (2.03% of the share capital at 31 December 2017) with a strike price of € 2.3012, exercisable between 30 September 2010 and 30 September 2020.

The following chart shows the total number of options outstanding and refers to the plans of the period 2006-2010 with their average strike price:

	2017		2016	
	<i>No. of options</i>	<i>Average strike price</i>	<i>No. of options</i>	<i>Average strike price</i>
Not exercised/not exercisable at the start of the year	2,254,737	2.77	4,190,737	3.16
Assigned during the year	--	--	--	--
Cancelled during the year	(1,338,200)	3.29	(306,800)	3.26
Exercised during the year	(631,537)	2.06	(738,400)	1.04
Matured during the year	--	--	(890,800)	5.87
Not exercised/not exercisable at the end of the year	285,000	1.91	2,254,737	2.77
Exercisable at the end of the year	285,000	1.91	2,254,737	2.77

The line "Not exercised/not exercisable at the end of the year" refers to the total amount of the options net of those exercised or cancelled during the current or prior years.

The line "Exercisable at the end of the year" refers to the total amount of the options vested at the end of the year but not yet exercised.

The following chart shows the breakdown of the number of options exercisable at 31 December 2017:

No. of options outstanding and exercisable at 31 December 2015	2,254,737
Options vested during the year	--
Options cancelled during the year	(1,338,200)
Options exercised during the year	(631,537)
Options matured during the year	--
No. of options outstanding and exercisable at 31 December 2017	285,000

Phantom stock option plans

Phantom stock option plans, unlike traditional stock option plans, do not involve assignment of a right to subscribe or purchase a share, but involve paying the beneficiaries an extraordinary amount in cash of a variable nature equal to the difference between the value of the Sogefi share in the vesting period of the option and the value of the Sogefi share at the time the option is assigned.

In 2009, as explained in the paragraph "Stock option plans", Sogefi S.p.A. gave the beneficiaries of Phantom Stock Option Plans 2007 and 2008 the right to waive the options under these plans and to take part in the Extraordinary Stock Option Plan 2009.

The Phantom Stock Option Plan 2007 came to an end on 31 March 2017.

The following chart gives a breakdown of the number of phantom stock options at 31 December 2017:

	2017
Not exercised/not exercisable at the start of the year	840,000
Assigned during the year	--
Cancelled during the year	(840,000)
Exercised during the year	--
Not exercised/not exercisable at the end of the year	--
Exercisable at the end of the year	--

KOS

KOS S.p.A. has a number of stock option plans in place to provide the group with an incentive and loyalty tool for directors and employees, which reinforces the sense of belonging to the company in key personnel, favouring a constant focus over time on the creation of value for the company.

Exercising the options is subject to specific time limits for the duration of the relationship or mandate.

The company values its own stock options with the Black-Scholes methodology.

The following is information on the Stock Option Plans outstanding at the KOS Group:

KOS - STOCK OPTION PLANS AT 31 DECEMBER 2017

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options expired during the period		Options in circulation at end of period			Options exercisable at end of period		Expiry date	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Number	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price	Vesting date	Expiry date
Stock Option Plan '10 rev	1,661,083	3.52	--	--	--	--	--	--	1,661,083	3.52	15.39	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	15.39	--	--	17/05/2023	17/05/2033
Total	3,161,083	5.21	--	--	--	--	--	--	3,161,083	5.21	15.39	1,661,083	3.75		

25. 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.

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

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

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

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

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

For GEDI Gruppo Editoriale S.p.A. this decision means paying a total of € 175.3 million, of which € 140.2 million was already paid in 2017, while the other € 35.1 million will be paid by 30 June 2018. At the same time, the provision for risks relating to the question of beneficial interests was reduced by € 20.8 million as it is no longer required.

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.

Given that the Tax Authorities did not challenge this last sentence, it became final and led to termination of the dispute.

In October 2016, Sogefi S.p.A. received four notices of assessment relating to the tax years 2011 and 2012, following a tax audit in the first half of 2016, containing the following two observations: i)

undue deduction of € 0.6 million of VAT paid on goods and services, ii) undue deduction for IRES purposes (and related non-deductible VAT of € 0.2 million) in costs for services rendered by the Parent CIR S.p.A. (the same findings for 2009) for a total taxable amount of € 1.3 million.

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

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

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

For this reason, the Company has not recorded any related tax provisions in the interim financial statements at 31 December 2017.

26. Other information

INFORMATION PURSUANT TO ART. 149-DUODECIES OF CONSOB'S ISSUERS REGULATION

The following table, prepared in accordance with art. 149-duodecies of Consob's Issuers' Regulation, shows the audit and other service fees for the year paid to KPMG SpA and other entities belonging to its network:

<i>(in thousands of euro)</i>	<i>2017</i>
<i>Charged to the Parent:</i>	
a) by the independent auditors for auditing services	55
b) by the independent auditors:	
- for other services	--
c) by network partners of the independent auditors for other services	--
<i>Charged to the subsidiaries:</i>	
a) by the independent auditors for auditing services	2,356
b) by the independent auditors:	
- for other services	--
c) by network partners of the independent auditors for other services	448

KEY FIGURES OF THE PARENT COMPANY FRATELLI DE BENEDETTI S.p.A

Cofide S.p.A. is subject to management and coordination by the parent company, Fratelli De Benedetti S.p.A. (art. 2497-bis of the Italian Civil Code); attachment 2 to the separate financial statements presents key information taken from the financial statements of the parent company at 31 December 2015.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The Board of Directors of COFIDE S.p.A., which met on 30 March 2018, acknowledged that on 21 March 2018, GEDI Gruppo Editoriale S.p.A. was informed about the existence of a criminal proceeding for the aggravated hypothesis of participation in the offence envisaged by art. 640, paragraph 2, no. 1 of the Italian Criminal Code against the Chief Executive Officer, the Central Director of Human Resources and the General Manager of the National Press, as well as for the offence referred to in art. 24 of the Italian Legislative Decree 231/2001 (following an offence

committed by natural persons in the interest or to the advantage of the entity) against GEDI S.p.A. and some of its subsidiaries.

The investigation conducted by the Rome Public Prosecutor's Office concerns an alleged fraud against INPS in relation to the allegedly irregular access to redundancy payments (CIGS) by some employees in the period between 2012 and 2015 with a view to obtaining early retirement under Law 416/81.

Convinced that it had always acted in compliance with current legislation, which is also corroborated by internal audits aimed at examining compliance with the procedure provided for by the relevant legislation and by an authoritative labour law opinion, GEDI S.p.A. retains that at present it is objectively not in the condition to assess the specific conduct that allegedly would complement the hypotheses of crime, nor the number of former employees who would have illegitimately had access to early retirement, nor consequently any tax evasion to be compensated.

This situation therefore makes it impossible to assess the degree of risk and the consequent quantification of the same, in accordance with IAS 37.

In the event of a final conviction for the administrative offence pursuant to art. 24 of Legislative Decree 231/2001, the pecuniary administrative sanctions are those provided for in the combined provisions of articles 10, 11 and 24 of the decree.

It should also be noted that after the end of the year, GEDI Gruppo Editoriale S.p.A. received a binding offer for the purchase of Persidera S.p.A., which is held 30%. The offer was not considered in line with expectations and therefore rejected. Contacts with other investors are currently in progress.

INFORMATION PURSUANT TO ART. 2427, 22-QUINQUIES AND ART. 2427, 22-SEXIES

The company that prepares the consolidated financial statements for the largest group of companies of which the company is a subsidiary is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio 41, Turin, whose financial statements are filed at the registered office.

The company that prepares the consolidated financial statements for the largest group of companies of which the company is a subsidiary is Fratelli De Benedetti S.p.A. with registered office in Via Valeggio 41, Turin, whose financial statements are filed at the registered office.

RELATED PARTY TRANSACTIONS

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.

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 Committee, except for the system of substitutes envisaged in the procedures.

The following have been identified as related parties:

- the direct parent entity of COFIDE S.p.A., its subsidiaries, also joint ventures, and associates;
- the subsidiary entities (whose relationships are eliminated in the consolidation process), jointly controlled and the associated entities of COFIDE S.p.A.;
- figures with strategic responsibilities, their close family members and any companies directly or indirectly controlled by them or subject to joint control or significant influence.

Transactions with CIR S.p.A. consisted in receiving administrative and financial services. The main concern of COFIDE S.p.A. in relation to these services is to ensure quality and a high level of efficiency of the services rendered, which derive from the specific knowledge of the Group's business activities.

COFIDE S.p.A. has entered into a lease contract with the subsidiary GEDI Gruppo Editoriale S.p.A.

The Group's related party transactions are settled at arm's length, taking into consideration the quality and the specific nature of the services provided.

The 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 results, assets and liabilities or financial situation.

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

INCOME STATEMENT

<i>(in thousands of euro)</i>	<i>Sales revenue</i>	<i>Costs for the purchase of</i>	<i>Costs for services</i>	<i>Other operating expense</i>	<i>Other operating</i>	<i>Financial income</i>	<i>Financial expense</i>	<i>Dividends</i>
Parents	--	--	(85)	--	100	--	--	--
Subsidiaries	--	--	--	--	--	3	--	--
Associates	--	--	(2,573)	--	1,788	--	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	161	--	--	--
Total	--	--	(2,658)	--	2,049	3	--	--

STATEMENT OF FINANCIAL POSITION

<i>(in thousands of euro)</i>	<i>Non-current assets</i>	<i>Current assets</i>		<i>Current liabilities</i>		
	<i>Other assets</i>	<i>Trade receivables</i>	<i>Other assets</i>	<i>Other loans and borrowings</i>	<i>Trade payables</i>	<i>Other liabilities</i>
Parent companies	--	122	--	--	14	--
Subsidiaries	--	--	--	--	9	--
Associates	--	1,677	105	--	1,821	--
Joint ventures	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--
Total	--	1,799	105	--	1,844	--

27. Proposed allocation of profit for the year

Shareholders,

The separate financial statements for the year ended 31 December 2017, which we submit for your approval, closed with net income of € 14,155,343.18, which we propose should be allocated as follows:

- € 707,767.16 to the legal reserve;
- the difference, € 13,447,576.02, as a dividend of € 0.014¹ to each of the outstanding shares in, with rights from 1 January 2018, (excluding treasury shares held in portfolio) and the balance to "Retained earnings".

Please note that the actual amounts to be allocated to dividends and to "Retained earnings" will take into account the treasury shares held in portfolio and the ordinary shares outstanding on the date of the Shareholders' Meeting, on the basis of additional purchases of treasury shares.

THE BOARD OF DIRECTORS

Milan, 12 March 2018

¹ Pursuant to art. 1 of the Ministerial Decree of 2 April 2008, the dividend is understood as being formed entirely out of earnings generated up to the year in progress at 31 December 2007.

Consolidated financial statements of the direct subsidiary
at 31 December 2017

CIR Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.12.2017	31.12.2016
NON-CURRENT ASSETS	2,198,119	2,056,164
INTANGIBLE ASSETS	1,138,329	988,003
PROPERTY, PLANT AND EQUIPMENT	690,819	670,775
INVESTMENT PROPERTY	18,582	19,292
EQUITY-ACCOUNTED INVESTMENTS	125,181	129,987
OTHER EQUITY INVESTMENTS	12,249	5,323
OTHER ASSETS	56,754	78,980
<i>of which with related parties (*)</i>	--	1,644
AVAILABLE-FOR-SALE FINANCIAL ASSETS	58,822	72,069
DEFERRED TAX ASSETS	97,383	91,735
CURRENT ASSETS	1,335,792	1,335,311
INVENTORIES	139,072	137,406
CONTRACT WORK IN PROGRESS	36,536	40,947
TRADE RECEIVABLES	472,736	414,370
<i>of which with related parties (*)</i>	1,799	1,666
OTHER ASSETS	104,800	92,669
<i>of which with related parties (*)</i>	105	105
LOAN ASSETS	38,986	30,183
SECURITIES	46,927	54,892
AVAILABLE-FOR-SALE FINANCIAL ASSETS	235,251	234,012
CASH AND CASH EQUIVALENTS	261,484	330,832
ASSETS HELD FOR SALE	3,418	3,418
TOTAL ASSETS	3,537,329	3,394,893
LIABILITIES	31.12.2017	31.12.2016
EQUITY	1,492,413	1,518,476
SHARE CAPITAL	328,063	332,863
RESERVES	272,545	310,850
RETAINED EARNINGS	372,659	374,811
PROFIT (LOSS) FOR THE YEAR	(5,948)	33,751
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	967,319	1,052,275
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	525,094	466,201
NON-CURRENT LIABILITIES	1,032,955	938,119
BONDS	365,112	283,742
OTHER LOANS AND BORROWINGS	281,863	274,819
OTHER LIABILITIES	6,794	15,140
DEFERRED TAX LIABILITIES	170,554	149,683
EMPLOYEE BENEFIT OBLIGATION	139,735	131,058
PROVISIONS FOR RISKS AND CHARGES	68,897	83,677
CURRENT LIABILITIES	1,011,961	938,298
BANK LOANS AND BORROWINGS	17,551	12,771
BONDS	20,168	20,980
OTHER LOANS AND BORROWINGS	170,432	201,179
TRADE PAYABLES	468,810	432,507
<i>of which with related parties (*)</i>	1,844	2,257
OTHER LIABILITIES	263,756	198,084
PROVISIONS FOR RISKS AND CHARGES	71,244	72,777
LIABILITIES HELD FOR SALE	--	--
TOTAL LIABILITIES AND EQUITY	3,537,329	3,394,893

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

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	2017	2016
REVENUE	2,796,698	2,620,680
CHANGE IN INVENTORIES	(4,268)	5,460
COST FOR THE PURCHASE OF GOODS	(1,046,112)	(988,171)
COST FOR SERVICES	(673,690)	(613,197)
<i>of which with related parties (*)</i>	(2,658)	(6,321)
PERSONNEL COSTS	(732,661)	(712,363)
OTHER OPERATING INCOME	30,973	26,732
<i>of which with related parties (*)</i>	2,049	1,878
OTHER OPERATING EXPENSE	(80,568)	(80,331)
<i>of which with related parties (*)</i>	--	--
AMORTISATION, DEPRECIATION & WRITE-DOWNS	(136,121)	(129,229)
OPERATING PROFIT	154,251	129,581
FINANCIAL INCOME	9,591	13,044
<i>of which with related parties (*)</i>	3	15
FINANCIAL EXPENSE	(58,880)	(60,207)
DIVIDENDS	5,373	11,557
GAINS FROM TRADING SECURITIES	23,152	11,860
LOSSES FROM TRADING SECURITIES	(39)	(668)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEEs	(524)	849
FAIR VALUE GAINS(LOSSES) ON FINANCIAL ASSETS	(3,631)	2,568
PROFIT BEFORE TAXES	129,293	108,584
INCOME TAXES	(180,607)	(52,902)
PROFIT(LOSS) FROM CONTINUING OPERATIONS	(51,314)	55,682
PROFIT(LOSS) FROM DISCONTINUED OPERATIONS	7,594	2,000
PROFIT(LOSS) FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	(43,720)	57,682
- (PROFIT)LOSS ATTRIBUTABLE TO NON CONTROLLING INTERESTS	37,772	(23,931)
- PROFIT(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	(5,948)	33,751
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(0.0090)	0.0503
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(0.0090)	0.0502

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

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
PURSUANT TO ART. 154 BIS OF THE ITALIAN LEGISLATIVE DECREE 58/98

1. The undersigned, Rodolfo De Benedetti, the Chairman, and Giuseppe Gianoglio, the executive responsible for the preparation of the consolidated financial statements of Cofide S.p.A., hereby certify, also taking into account the provisions of art. 154 -bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
 - the appropriateness, in relation to the characteristics of the business, and
 - effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2017.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the consolidated financial statements:
 - are prepared in accordance with International Financial Reporting Standards as endorsed by the European 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 and of companies included in the consolidation.

The report on operations includes a reliable analysis of the Group's performance and results of operations, as well as the general situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 12 March 2018

Signed by

Rodolfo De Benedetti
Chairman

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

COFIDE

Separate financial statements

at 31 December 2017

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Statement of financial position

(in euro)

ASSETS	Notes	31.12.2017	31.12.2016
NON-CURRENT ASSETS		595,811,033	588,117,002
PROPERTY, PLANT AND EQUIPMENT	5.a.	328,968	384,218
INVESTMENT PROPERTY	5.b.	851,763	851,763
INVESTMENTS IN SUBSIDIARIES	5.c.	573,821,503	573,821,503
OTHER EQUITY ACCOUNTED INVESTMENTS	5.d.	--	--
OTHER ASSETS	5.e.	120,227	119,169
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5.f.	20,688,572	12,940,349
CURRENT ASSETS		12,302,994	13,957,274
OTHER RECEIVABLES	6.a.	421,614	261,499
<i>of which with related parties (*)</i>		171,971	161,730
SECURITIES	6.b.	10,300,719	11,265,429
CASH AND CASH EQUIVALENTS	6.c.	1,580,661	2,430,346
TOTAL ASSETS		608,114,027	602,074,276
LIABILITIES		31.12.2017	31.12.2016
EQUITY		562,181,679	562,241,251
SHARE CAPITAL	7.a.	350,010,680	359,604,959
RESERVES	7.b.	170,408,553	164,019,666
RETAINED EARNINGS	7.c.	27,607,103	19,804,941
PROFIT FOR THE YEAR		14,155,343	18,811,685
NON-CURRENT LIABILITIES		548,528	37,180,449
OTHER BORROWINGS	8.a.	--	36,995,847
OTHER PAYABLES	8.b.	34,582	34,582
DEFERRED TAX LIABILITIES	8.c.	513,946	150,020
EMPLOYEE BENEFIT OBLIGATIONS	8.d.	--	--
CURRENT LIABILITIES		45,383,820	2,652,576
OTHER LOANS AND BORROWINGS	9.a.	43,025,653	--
TRADE PAYABLES	9.b.	777,451	1,039,280
<i>of which with related parties (*)</i>		122,000	122,000
OTHER LIABILITIES	9.c.	1,580,716	1,613,296
TOTAL LIABILITIES AND EQUITY		608,114,027	602,074,276

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

2. Income statement

(in euro)

	Notes	2017	2016
SUNDRY REVENUE AND INCOME	10	119,113	228,794
<i>of which with related parties (*)</i>		85,000	134,375
COST FOR THE PURCHASE OF GOODS	11	(3,698)	(8,918)
COST FOR SERVICES	12	(976,535)	(1,380,026)
<i>of which from related parties (*)</i>		(122,000)	(122,000)
PERSONNEL COSTS	13	--	(45,270)
OTHER OPERATING EXPENSE	14	(469,129)	(500,257)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	15	(55,250)	(48,096)
OPERATING LOSS		(1,385,499)	(1,753,773)
FINANCIAL INCOME	16	2,705	14,524
FINANCIAL EXPENSE	17	(929,759)	(1,145,265)
DIVIDENDS	18	13,823,304	16,005,931
<i>of which from related parties (*)</i>		13,823,304	16,005,931
GAINS FROM TRADING SECURITIES	19	3,239,091	4,721,839
LOSSES FROM TRADING SECURITIES	20	(117,016)	--
FAIR VALUE GAIN (LOSSES) ON FINANCIAL ASSETS	21	(366,785)	1,259,199
PROFIT (LOSS) BEFORE TAXES		14,266,041	19,102,455
INCOME TAXES	22	(110,698)	(290,770)
PROFIT FROM CONTINUING OPERATIONS		14,155,343	18,811,685
POFIT/ (LOSS) FROM DISCONTINUED OPERATIONS		--	--
PROFIT FOR THE YEAR		14,155,343	18,811,685
BASIC EARNINGS (LOSS) PER SHARE (in euro)	23	0.0200	0.0262
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	23	0.0200	0.0262

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

3. Statement of comprehensive income

(in euro)

	2017	2016
PROFIT FOR THE YEAR	14,155,343	18,811,685
Other of comprehensive income		
Items that may subsequently be reclassified to profit or loss		
Fair value gains(losses) on of available-for-sale financial assets	7,581,795	(3,310,193)
Tax effect of items that may subsequently be reclassified to profit or loss	(363,926)	203,939
Sub-total of items that may subsequently be reclassified to profit or loss	7,217,869	(3,106,254)
COMPREHENSIVE INCOME	21,373,212	15,705,431
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0302	0.0218
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0302	0.0218

4. Statement of cash flows

(in euro)

	2017	2016
OPERATING ACTIVITIES		
NET INCOME (LOSS) FOR THE YEAR	14,155,343	18,811,685
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	55,250	48,096
ALLOCATION TO PERSONNEL PROVISIONS, NET OF USE	--	(144,254)
LOSSES/(GAINS) ON SALE OF CURRENT SECURITIES	(1,772,763)	--
NET FAIR VALUE GAINS ON FINANCIAL ASSETS	366,785	(1,259,199)
(INCREASE) DECREASE IN NET WORKING CAPITAL	(454,524)	421,212
CASH FLOWS FROM OPERATING ACTIVITIES	12,350,091	17,877,540
INVESTING ACTIVITY		
CHANGE IN TANGIBLE ASSETS AND INVESTMENT PROPERTY	--	(60,161)
CHANGE IN INVESTMENTS IN SUBSIDIARIES	--	--
CHANGE IN OTHER CAPITALISED RECEIVABLES	(1,058)	(1,058)
NET CHANGE IN CURRENT SECURITIES	(166,428)	5,428,330
CASH FLOWS USED IN INVESTING ACTIVITIES	(167,486)	5,367,111
FINANCING ACTIVITY		
CHANGE IN OTHER BORROWINGS	6,029,806	(12,838,458)
NET CHANGE IN CURRENT SECURITIES	2,370,688	--
PURCHASE OF TREASURY SHARES	(11,363,845)	--
DIVIDENDS PAID	(10,068,939)	(10,068,939)
CASH FLOWS USED IN FINANCING ACTIVITIES	(13,032,290)	(22,907,397)
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	(849,685)	337,254
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	2,430,346	2,093,092
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	1,580,661	2,430,346

5. Statement of Changes in Equity

(in euro)

	Share capital issued	less treasury shares	Share capital	Share premium	Legal reserve	Merger surplus reserve	Reserve for treasury shares	Fair value reserve	First-time adoption of IFRS (FTA) reserve	Retained earnings (losses)	Profit (loss) for the year	Total
BALANCE AT 31 DECEMBER 2015	359,604,959	--	359,604,959	5,044,115	22,643,845	42,975	--	6,081,667	133,313,318	33,470,054	(3,596,174)	556,604,759
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	(10,068,939)	--	(10,068,939)
Retained earnings	--	--	--	--	--	--	--	--	--	(3,596,174)	3,596,174	--
Fair value gains(losses) on treasury share transactions	--	--	--	--	--	--	--	--	--	--	--	--
<i>Comprehensive income(expense)</i>												--
Fair value loss on securities	--	--	--	--	--	--	--	(3,106,254)	--	--	--	(3,106,254)
Profit for the year	--	--	--	--	--	--	--	--	--	--	18,811,685	18,811,685
<i>Comprehensive income(expense)</i>	--	--	--	--	--	--	--	(3,106,254)	--	--	18,811,685	15,705,431
BALANCE AT 31 DECEMBER 2016	359,604,959	--	359,604,959	5,044,115	22,643,845	42,975	--	2,975,413	133,313,318	19,804,941	18,811,685	562,241,251
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	--	(10,068,939)	(10,068,939)
Retained earnings	--	--	--	--	940,584	--	--	--	--	7,802,162	(8,742,746)	--
Adjustment for treasury share transactions	--	(9,594,279)	(9,594,279)	--	--	--	9,594,279	--	(11,363,845)	--	--	(11,363,845)
<i>Comprehensive income(expense) for the year</i>												--
Fair value gains on securities	--	--	--	--	--	--	--	7,217,869	--	--	--	7,217,869
Profit for the year	--	--	--	--	--	--	--	--	--	--	14,155,343	14,155,343
<i>Comprehensive income</i>	--	--	--	--	--	--	--	7,217,869	--	--	14,155,343	21,373,212
BALANCE AT 31 DECEMBER 2017	359,604,959	(9,594,279)	350,010,680	5,044,115	23,584,429	42,975	9,594,279	10,193,282	121,949,473	27,607,103	14,155,343	562,181,679

6. Notes to the separate financial statements

1. Structure of the financial statements

These separate financial statements of COFIDE S.p.A., have been prepared in accordance with international financial reporting standards (IAS/IFRS) published by the International Accounting Standards Board ("IASB") and endorsed by the European Union, together with all the measures issued in implementation of art. 9 of Legislative Decree no. 38/2005, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The separate financial statements are based on the principle of historical cost, modified as required for the measurement of certain financial instruments, in compliance with the accrual basis of accounting and the going concern assumption. In spite of the difficult economic and financial context, the Company has established that there are no significant uncertainties regarding going concern, as defined in paragraph 24 of IAS 1.

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 comprehensive income shows the income items that are suspended in equity;

the statement of cash flows has been prepared using the indirect method;

the statement of changes in equity gives a breakdown of the changes that took place in the year and in the previous year.

These separate financial statements have been prepared in thousands of euro, which is the "functional" and "presentation" currency of COFIDE S.p.A. in accordance with IAS 21, except where indicated otherwise.

Significant events after the reporting date

No significant events took place after the reporting date which could have had a significant effect on the Company's financial position, equity or results.

Publication of the separate financial statements was authorised by the Company's Board of Directors on 12 March 2018 (as required by paragraph 17 of IAS 10).

Below is a description of the standards adopted in the preparation of these separate financial statements as of 31 December 2017 in relation to the main items of the statement of financial position and income statement.

2. Accounting policies

2.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.

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 any time it appears to be justified, capitalised costs are 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. 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.

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

Property, plant and equipment are measured at purchase price or at production cost and are recognised 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.

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

Given the standard nature of the assets included in the various asset categories, their useful lives are considered as represented by the following rates:

	Rates
Buildings used for operating purposes	3%
Motor vehicles	25%
Electronic office equipment	20%
Furniture and fittings	15%
Alarm systems	30%
Telephone systems	20%
Assets expensed during the year	100%

Buildings not used for operating purposes are classified under a separate asset item and accounted for on the basis of IAS 40 "Investment property".

In the event of circumstances that suggest that an asset has been impaired, its carrying amount 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 available at the time 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 segments in which the Company operates. This valuation is carried out for each individual asset or for the smallest identifiable cash generating unit (CGU).

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

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

On disposal or when the asset is permanently withdrawn from use, all related income and expenses must be posted to the income statement.

2.d. Impairment of assets (IAS 36)

At least once a year the Company verifies the recoverability of the carrying amount of intangible assets, Property, plant and equipment and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment. If there is evidence of impairment, the carrying amount of the asset is reduced to its recoverable value.

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

In particular, during impairment testing of investments in subsidiaries and associates, since these are investments for which a market value (i.e. fair value less costs of disposal) is in some cases unreliable, the recoverable value was defined as its value in use, i.e. the present value of estimated cash flows in relation to the expected results of investee companies and the estimated value of a hypothetical ultimate disposal in line with IAS 28 (paragraph 33).

When at a later date the impairment ceases to exist or is reduced, the carrying amount of the asset is reversed up to the new estimated recoverable value, but cannot exceed the value which would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is posted immediately to the income statement.

2.e. Investments in subsidiaries and associates (IAS 10, IAS 27 and 28)

Investments in subsidiaries and associates are recognised at cost adjusted for any impairment. Any positive difference, arising on acquisition, between the acquisition cost and the acquirer's share of equity of the investee company at current values is therefore included in the carrying amount of the investment.

Investments in subsidiaries and associates are tested for impairment every year, or more frequently if necessary. The method of measurement used is based on the discounted cash flow or fair value, calculated as the amount obtainable from the sale of the investment in a free transaction between knowledgeable, willing parties, less the costs of disposal. Where there is evidence of impairment of the investments, the impairment loss is recognised in the income statement as a write-down.

In the event of the Company's share of the losses of the investee company exceeding the carrying amount of the investment, and when the Company is liable or accepts liability, then the value of the investment is reduced to zero and the Company's share of any further losses is recognised as a provision under liabilities. Should the impairment subsequently cease to exist or reduce, the value is reversed to the income statement up to the limit of its cost.

2.f. Other investments

Investments in other companies, classified as non-current financial assets which are not held for trading, are initially classified as available-for-sale financial assets and are recognised at fair value.

Subsequently, gains and losses from changes in fair value as indicated in market prices are recognised directly to equity until the assets are sold or suffer impairment. When the asset is sold, all of the gains and losses previously recognised to equity are recognised to the income statement in that year.

When an asset is written down, the accumulated losses are included in the income statement. Investments in other minor companies, which do not have a market price, are recognised at cost which may be written down in the event of impairment. At each reporting date, the situation is checked for impairment and any write-down is recognised to the income statement. The write-down is reversed if the reasons for the impairment cease to apply.

2.g. Receivables and payables (IAS 32, 39 and 21)

Receivables are initially recognised at amortised cost and then measured at their estimated realisable value. Payables are initially recognised at amortised cost.

Receivables and payables in foreign currencies are initially accounted for at the rates of exchange in force on the transaction date. They are then adjusted to the year-end exchange rates and any exchange gains and losses are recognised to the income statement.

No foreign currency receivables or payables are included in the financial statements at 31 December 2017.

2.h. 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".

2.i. Income taxes (IAS 12)

Current taxes are recognised and measured on the basis of a realistic estimate of taxable income under current tax regulations, taking into account any exemptions and tax credits that may apply. Deferred taxes are determined on the basis of taxable or deductible temporary differences between the carrying amount of assets and liabilities and their amount for tax purposes. They 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 amount 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.

2.j. 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 price changes.

2.l. 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 impairment to it is recognised.

"Retained earnings (losses 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 changes in accounting policies and/or the correction of errors accounted for in accordance with IAS 8.

2.m. 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.

2.n. 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 year 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.

2.o. Revenue and income (IAS 18)

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, in the year in which they are collected;
- interest, using the effective interest rate method (IAS 39).

2.p. Employee benefits (IAS 19)

Benefits to be paid to employees on termination of their employment and other long term benefits are not subject to actuarial valuation as the residual liability - of the post-employment benefits in particular - amounts to zero in 2017 and in 2016, after the transfer of employees to CIR S.p.A. occurred in 2016.

2.q. Derivatives (IAS 32 and 39)

Derivatives are measured at fair value. Non-hedging derivatives are classified as financial instruments at fair value through profit or loss (FVTPL). 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.

2.r. Foreign currency translation (IAS 21)

The Company's functional currency is the euro and this is the currency in which its separate financial statements are prepared. Transactions carried out in foreign currencies are initially recognised at the exchange rate on the date of the transaction.

At the reporting date monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate 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 amounts were measured.

2.s. Earnings per share (IAS 33)

Basic earnings per share are determined by dividing profit (loss) for the period attributable to shareholders by the weighted average number of ordinary shares in circulation during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account the effect of all potential ordinary shares.

2.t. Use of estimates

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

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

The main items affected by this estimation process are the valuation of subsidiaries and associates, deferred taxes, provisions for risks and charges and the fair value of financial instruments.

See the notes on these specific items for further details.

2.u. Adoption of new standards, interpretations and amendments

See point 6 of the Notes to the Consolidated Financial Statements.

3. Financial instruments

Financial instruments are of particular importance in the economic and financial structure of the Company. For this reason, management felt that it would be useful to devote a special section to 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 or 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 net financial income (expense) 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 or 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 short-term firm 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;
- c) an instrument contains an embedded derivative which meets particular conditions.

The designation of the individual instrument to this category is definitive; it is made at the time of initial recognition and cannot be changed.

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 amount 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 held for trading 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 suffer impairment. In such cases, the gains and losses accrued to equity up to that point are recognised to the income statement.

In the case of securities listed on regulated markets, the fair value is the bid price at the close of trading on the last day of the reporting year.

Where no market prices are available, fair value is determined either on the basis of the fair value of a substantially similar financial instrument or by using appropriate financial techniques (e.g. discounted cash flow).

Investments in financial assets can only be derecognised (i.e. eliminated from the separate 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 a regular transaction between market participants at the measurement date.

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

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

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

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

- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- valuations performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (Mark to Model). The Company 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 Company uses fair value adjustments (FVA) 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.

4. 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 fair value gains or losses 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 year after they were discovered.

Statement of financial position

5. Non-current assets

5.a. Tangible assets

2016	Opening position			Movements during the year				Closing position		
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2016	Acquisitions	Disposals and adjustments cost	accum. depr.	Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2016
Buildings										
- Operating building in Rome	1,315,924	(945,602)	370,322	--	--	--	(39,478)	1,315,924	(985,080)	330,844
Total	1,315,924	(945,602)	370,322	--	--	--	(39,478)	1,315,924	(985,080)	330,844
Industrial and commercial equipment										
- Motor vehicles	111,500	(111,500)	--	60,161	(111,500)	111,500	(7,520)	60,161	(7,520)	52,641
- Electronic office equipment	61,993	(61,993)	--	--	--	--	--	61,993	(61,993)	--
- Furniture and fittings	396,735	(396,251)	484	--	--	--	(290)	396,735	(396,541)	194
- Alarm systems	47,889	(47,889)	--	--	--	--	--	47,889	(47,889)	--
- Telephone systems	12,041	(12,041)	--	--	--	--	--	12,041	(12,041)	--
- Machinery and sundry equipment	28,373	(27,026)	1,347	--	--	--	(808)	28,373	(27,834)	539
- Assets expensed during the year	20,973	(20,973)	--	--	--	--	--	20,973	(20,973)	--
Total	679,504	(677,673)	1,831	60,161	(111,500)	111,500	(8,618)	628,165	(574,791)	53,374
Total tangible non-current assets	1,995,428	(1,623,275)	372,153	60,161	(111,500)	111,500	(48,096)	1,944,089	(1,559,871)	384,218

2017	Opening position			Movements during the year				Closing position		
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2017	Acquisitions	Disposals and adjustments cost	accum. depr.	Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2017
Buildings										
- Operating building in Rome	1,315,924	(985,080)	330,844	--	--	--	(39,478)	1,315,924	(1,024,558)	291,366
Total	1,315,924	(985,080)	330,844	--	--	--	(39,478)	1,315,924	(1,024,558)	291,366
Industrial and commercial equipment										
- Motor vehicles	60,161	(7,520)	52,641	--	--	--	(15,039)	60,161	(22,559)	37,602
- Electronic office equipment	61,933	(61,993)	--	--	--	--	--	61,993	(61,993)	--
- Furniture and fittings	396,735	(396,541)	194	--	--	--	(194)	396,735	(396,735)	--
- Alarm systems	47,889	(47,889)	--	--	--	--	--	47,889	(47,889)	--
- Telephone systems	12,041	(12,041)	--	--	--	--	--	12,041	(12,041)	--
- Machinery and sundry equipment	28,373	(27,834)	539	--	--	--	(539)	28,373	(28,373)	--
- Assets expensed during the year	20,973	(20,973)	--	--	--	--	--	20,973	(20,973)	--
Total	628,165	(574,791)	53,374	--	--	--	(15,772)	628,165	(590,563)	37,602
Total tangible non-current assets	1,944,089	(1,559,871)	384,218	--	--	--	(55,250)	1,944,089	(1,615,121)	328,968

5.b. investment property

This item has had the following changes:

2016	Opening position			Movements during the year				Closing position		
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2016	Acquisitions	Disposals		Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2016
					cost	accum. depr.				
Buildings:										
- Non-operating building in Milan	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763
Total	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763

2017	Opening position		Movements during the year				Closing position			
(in euro)	Original cost	Accumulated depreciation	Balance 01.01.2017	Acquisitions	Disposals		Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2017
					cost	accum. depr.				
Buildings:										
- Non-operating building in Milan	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763
Total	853,714	(1,951)	851,763	--	--	--	--	853,714	(1,951)	851,763

This is a property located in the centre of Milan, whose market value is significantly higher than its carrying amount.

5.c. Investments in subsidiaries

This item has had the following changes:

2016 (in euro)	Opening position 01.01.2016		Movements during the year						Closing position 31.12.2016	
	no. shares	amount	Increases		Decreases		Write-downs		no. shares	amount
			no. shares	amount	no. shares	amount				
CIR S.p.A.	363,771,164	573,821,503	--	--	--	--	--	--	363,771,164	573,821,503
Total		573,821,503	--	--	--	--	--	--		573,821,503

2017 (in euro)	Opening position 01.01.2017		Movements during the year						Closing position 31.12.2017	
	no. shares	amount	Increases		Decreases		Write-downs		no. shares	amount
			no. shares	amount	no. shares	amount				
CIR S.p.A.	363,771,164	573,821,503	--	--	--	--	--	--	363,771,164	573,821,503
Total		573,821,503	--	--	--	--	--	--		573,821,503

The following summary information about CIR S.p.A. has been extracted from the draft financial statements approved by the Board of Directors of that company (*amounts in euro*):

Name	Registered office	Capital 31.12.2017	Equity 31.12.2017	Income (loss) 2017	Percentage direct control	Percentage indirect control
CIR S.p.A. (*)	Via Ciovassino 1, Milan	397,146,183	890,656	(49,034)	45.80%	55.44%

(*) The percentage of indirect control includes CIR treasury shares

As required by IFRS, the investment in CIR S.p.A. held at year end was subjected to impairment testing in order to check for objective evidence that its carrying amount might not be fully recoverable.

For the purposes of carrying out the impairment test in the separate financial statements, this investment was not considered significant individually, but given its nature as a holding company, it was included in the impairment test of the CGUs performed at a consolidated level.

The test carried out on the present value of the projected cash flows shows that the CIR CGU has a value in use that exceeds its carrying amount; no write-down was therefore made.

5.d. Other investments

This item has had the following changes:

2016 (in euro)	Opening position 01.01.2016		Movements during the year					Closing position 31.12.2016	
	no. shares	amount	Increases no.		Decreases no.		Write-downs amount	no. shares	amount
			shares	amount	shares	amount			
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. (in liquidation and in composition with creditors)	1,231,319	--	--	--	--	--	--	1,231,319	--
Total		--	--	--	--	--	--		--

2017 (in euro)	Opening position 01.01.2017		Movements during the year					Closing position 31.12.2017	
	no. shares	amount	Increases no.		Decreases no.		Write-downs amount	no. shares	amount
			shares	amount	shares	amount			
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. (in liquidation and in composition with creditors)	1,231,319	--	--	--	--	--	--	1,231,319	--
Total		--		--		--	--		--

These investments were already fully written down in previous years.

Pursuant to art. 87 of the Income Tax Code, note that the above investments were recorded under financial assets in previous financial statements prepared in accordance with local GAAP.

5.e. Other assets

This item includes the following:

(in euro)	31.12.2017	31.12.2016
Due from the Treasury	105,086	104,028
Other assets	15,141	15,141
Total	120,227	119,169

5.f. Financial assets available-for-sale

This item includes the following:

<i>(in euro)</i>	31.12.2017	31.12.2016
Investments in other companies	8,593,790	1,000,000
Investment funds	12,094,782	11,940,349
Total	20,688,572	12,940,349

The year-end measurement at fair value of available-for-sale securities led to a positive adjustment of € 7,581,795 which was recognised directly in equity.

6. Current assets

6.a. Other assets

This item includes the following:

<i>(in euro)</i>	31.12.2017	31.12.2016
Due from the Treasury	179,724	--
Other assets	69,919	99,770
Other receivables from related parties	171,971	161,729
Total	421,614	261,499

6.b. Securities

This item includes the following:

<i>(in euro)</i>	31.12.2017	31.12.2016
<i>Securities held for trading</i>		
Investments in other companies	932,860	1,620,166
Investment funds	9,367,859	9,645,263
Total	10,300,719	11,265,429

Measure of the fair value of securities held for trading at year end resulted in recognition in the income statement of a net negative adjustment of € 366,785.

6.c. Cash and cash equivalents

Cash and cash equivalents decreased by € 849,685 going from € 2,430,346 to € 1,580,661.

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

7. Equity

7.a. Share capital

The share capital of € 359,604,959 consists of 719,209,918 ordinary shares with a par value of € 0.50 each and is unchanged with respect to last year.

At 31 December 2017 the Company held 19,188,559 treasury shares (2.67% of the share capital) for a value of € 11,363,845, all purchased during the year.

In application of IAS 32, treasury shares are deducted from total equity.

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

It should be remembered that on 28 April 2017 the Ordinary Shareholders' Meeting voted to cancel the previous resolution to buy back own shares and to give a new authorisation for eighteen months from that date to buy back a maximum of 70,000,000 own shares and to sell them.

7.b. Reserves

Changes in equity reserves are shown in the table on the next page.

In the interests of clarity, we have maintained the breakdown of reserves according to their origin as shown in the previous financial statements prepared in accordance with local GAAP.

The "Fair value reserve" reflects non-current available-for-sale financial assets.

7.c. Retained earnings (losses)

The investment revaluation reserve that was used up to 31 December 2004 to value investments in subsidiaries under the equity method was initially reclassified to this item in accordance with international accounting standards.

This item went from € 19,804,941 to A 27,607,103 with an increase of € 7,802,162 after carrying forward part of the net income made in 2016.

The information on how the various equity items can be used and distributed is shown in attachment no. 1).

CHANGES IN EQUITY RESERVES:

	Share premium reserve	Legal reserve	Merger surplus	Recovery of historical cost of investments	IAS FTA reserve	Fair value reserve	Reserve for treasury shares	TOTAL
<i>(in euro)</i>								
BALANCE AT 1 JANUARY 2016	5,044,115	22,643,845	42,975	133,069,943	243,375	6,081,667	--	167,125,920
Changes in fair value reserve:								
<i>Valuation at year-end fair value of financial assets available-for-sale</i>	--	--	--	--	--	(3,310,193)	--	(3,310,193)
Deferred taxes on fair value at year end	--	--	--	--	--	203,939	--	203,939
BALANCE AT 31 DECEMBER 2016	5,044,115	22,643,845	42,975	133,069,943	243,375	2,975,413	--	164,019,666
Allocation of 2016 net income to reserves	--	940,584	--	--	--	--	--	940,584
Changes in fair value reserve:								
<i>Valuation at year-end fair value of financial assets available-for-sale</i>	--	--	--	--	--	7,581,795	--	7,581,795
<i>Deferred taxes on fair value at year end</i>	--	--	--	--	--	(363,926)	--	(363,926)
Fair value gains (losses) on for treasury share transactions	--	--	--	(11,363,845)	--	--	9,594,279	(1,769,566)
BALANCE AT 31 DECEMBER 2017	5,044,115	23,584,429	42,975	121,706,098	243,375	10,193,282	9,594,279	170,408,553

8. Non-current liabilities

8.a. Other loans and borrowings

This item includes the following:

<i>(in euro)</i>	31.12.2017	31.12.2016
Collateralised bank loans and borrowings	--	36,995,847
Total	--	36,995,847

The two loans outstanding at 31 December 2017, which already existed at the end of the previous year, will both fall due in December 2018.

For this reason they have been included in "other loans and borrowings" under current liabilities, to which reference should be made for detailed information.

8.b. Other liabilities

This item includes the following:

<i>(in euro)</i>	31.12.2017	31.12.2016
Payables due beyond 12 months	34,582	34,582
Total	34,582	34,582

8.c. Deferred tax liabilities

This item includes the following:

(in euro)	31.12.2017		31.12.2016	
	Total temporary differences	Tax effect	Total temporary differences	Tax effect
Measurement of financial assets available-for-sale	10,707,227	513,946	3,125,432	150,020
Total deferred taxes	10,707,227	513,946	3,125,432	150,020

Deferred tax liabilities are shown net of deferred tax assets, calculated taking into account the recoverability of carry-forward tax losses, as there is a legal right to offset these amounts. These deferred taxes are booked as a reduction of the fair value reserve.

9. Current liabilities

9.a. Other loans and borrowings

This item includes the following:

(in euro)	31.12.2017	31.12.2016
Collateralised bank loans and borrowings	43,025,653	--
Total	43,025,653	--

These are two loans falling due in December 2018, which at the end of the previous year were included in "other loans and borrowings" under non-current liabilities.

The first loan of Euro 45,000,000 maturing on 23 December 2018 is regulated at 3-month Euribor plus a spread of 225 basis points per annum. It includes a revolving component of € 20,000,000 and a forward component of € 25,000,000. At year-end it amounts to € 37,000,000 of principal.

At 31 December 2017, the interest rate applied to the loan was 1.92%.

The loan covenants require the company to maintain a ratio of net borrowing to the total value of equity investments and securities held and not given in guarantee of less than 40%. This requirement has been met in full.

The second loan, a "revolving" loan, for a maximum amount of € 20,000,000 with maturity on 11 December 2018, accrues annual interest at 3-month Euribor plus a spread of 200 bps per annum. At year-end it amounts to € 6,000,000 of principal.

At 31 December 2017, the interest rate applied to the loan was 1.67%.

9.b. Trade payables

These refer to payables to suppliers, which went from € 1,039,280 to € 777,451, of which € 122,000 to related parties.

9.c. Other liabilities

This item includes the following:

<i>(in euro)</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
Due to the Treasury	1,354,979	1,580,316
Social security payables	10,712	9,676
Other liabilities	215,025	23,304
Total	1,580,716	1,613,296

Income Statement

10. Sundry revenue and income

This item includes the following:

<i>(in euro)</i>	2017	2016
Services to subsidiaries	--	49,375
Property income from subsidiaries	85,000	85,000
Property income	27,800	27,798
Other income and cost recoveries from third parties	6,313	66,621
Total	119,113	228,794

11. Costs for the purchase of goods

This reflects the value of the company's purchases of consumer goods.
They have gone from € 8,918 to € 3,698.

12. Costs for services

This item includes the following:

<i>(in euro)</i>	2017	2016
Services from subsidiaries	122,000	122,000
Administrative, fiscal, legal and corporate consulting	313,121	559,456
Fees for corporate bodies	406,421	412,204
Other operating expenses	134,993	286,366
Total	976,535	1,380,026

Services from subsidiaries relate to the financial, legal and administrative assistance provided by Cir S.p.A. at arm's-length conditions.

13. Personnel costs

Following the transfer of employees to the subsidiary CIR S.p.A. in 2016 as part of the process of reorganising the services rendered within the group, there were no charges for employees during the year (€ 45,270 in 2016).

14. Other operating expense

This item includes the following:

<i>(in euro)</i>	2017	2016
Taxes, duties and rights	109,572	118,478
Mandatory contributions and membership fees	113,592	102,272
Charities	232,500	232,500
Other charges and expenses	13,465	47,007
Total	469,129	500,257

15. Amortisation, depreciation & write-downs

This item only includes the depreciation of tangible assets, which rose from € 48,096 to € 55,250.

16. Financial income

This item includes the following:

<i>(in euro)</i>	2017	2016
Interest income on bank deposits	1,647	2,985
Other financial income	1,058	11,539
Total	2,705	14,524

17. Financial expense

This item includes the following:

<i>(in euro)</i>	2017	2016
Interest and financial charges on bank loans and borrowings	810,935	1,077,764
interest and bank charges and other financial expenses	66,087	42,100
Sundry fees	52,737	25,401
Total	929,759	1,145,265

18. Dividends

This item includes the following:

<i>(in euro)</i>	2017	2016
Dividends from investments in subsidiaries	13,823,304	16,005,931
Total dividends	13,823,304	16,005,931

This item includes dividends received by CIR S.p.A.

19. Gains from trading securities

This item includes the following:

<i>(in euro)</i>	2017	2016
Gains on trading investments in other companies	1,888,780	--
Gains from investment funds	1,350,311	4,721,839
Total	3,239,091	4,721,839

20. Losses from trading securities

This item includes the following:

<i>(in euro)</i>	2017	2016
Gains on trading of equity accounted investments in other companies	117,016	--
Total	117,016	--

21. Adjustments to financial assets

This item includes the following:

<i>(in euro)</i>	2017	2016
Write-down of investment funds	--	1,480,633
Write-down of investment funds	(277,404)	--
Revaluations of equity investments in other companies	8,793	143,464
Write-downs of equity investments in other companies	(98,174)	(364,898)
Total	(366,785)	1,259,199

22. Income taxes

This item includes the following:

<i>(in euro)</i>	2017	2016
Current taxes	(110,698)	(290,770)
Total	(110,698)	(290,770)

This refers to IRES tax for the year.

Deferred taxes have been booked as a reduction of the fair value reserve. They refer to the measurement of financial assets available for sale booked under non-current assets. The amount was determined taking into account the recoverability of tax losses.

23. Earnings (loss) per share

Basic earnings or loss per share are determined by dividing profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation. Diluted earnings or loss per share are calculated by dividing profit for the year 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, so diluted EPS per share is the same as basic EPS.

The following section provides information on the shares for the calculation of basic and diluted earnings or loss per share (in euro):

	2017	2016
Profit attributable to the shareholders	14,155,343	18,811,685
Weighted average number of ordinary shares in circulation	708,378,708	719,209,918
Earnings (loss) per share	0.0200	0.0262

	2017	2016
Comprehensive income attributable to the shareholders	21,373,212	15,705,431
Weighted average number of ordinary shares in circulation	708,378,708	719,209,918
Earnings (loss) per share	0.0302	0.0218

24. Related party transactions

Information regarding the impact that related party transactions have on the financial and equity situation and on the profit for the year are provided in the comment on the individual items of the separate financial statements.

In the "Other information" section of the Directors' report on operations there is a summary of the effects of these transactions.

25. Net financial position

The net financial position, in accordance with Consob Resolution no. 6064293 of 28 July 2006, can be broken down as follows:

<i>(in euro)</i>	<i>31.12.2017</i>	<i>31.12.2016</i>
A. Cash and bank deposits	1,580,661	2,430,346
B. Other cash equivalents	--	--
C. Securities held for trading	10,300,719	11,265,429
D. Liquidity	11,881,380	13,695,775
E. Current loan assets	--	--
F. Current bank payables	43,025,653	--
G. Current portion of non-current indebtedness	--	--
H. Other current loans and borrowings	--	--
I. Current financial indebtedness (F) + (G) + (H)	43,025,653	--
J. Net current financial (surplus) debt (I) - (E) - (D)	31,144,273	(13,695,775)
K. Non-current bank loans and borrowings	--	36,995,847
L. Non-current financial indebtedness	--	36,995,847
M. Net financial (surplus) indebtedness (J) + (L)	31,144,273	23,300,072

Information required by IAS 7 (44a and 44c)

<i>(in thousands of euro)</i>	<i>Bank loans (*)</i>
Balance at 31 December 2016	36,995,847
Repayments of financial liabilities (A)	(4,000,000)
Increase in financial liabilities (B)	10,029,806
Cash flows (A + B)	6,029,806
Balance at 31 December 2017	43,025,653

(*) This item corresponds to the sum of lines G and M on the schedule according to the Consob communication.

26. Other information

IFRS 7 - FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES

With regard to business risks, the main financial risks identified, monitored and actively managed by the Company are the following:

- a) interest rate risk resulting from exposure to fluctuations in interest rates;
- b) credit risk resulting from the potential default of a counterparty;
- c) liquidity risk resulting from a lack of financial resources to meet short term commitments.

Interest rate risk

Fluctuation in interest rates affects the market value of financial assets and the level of net financial expenses.

The company continuously assesses the exposure to the risk of changes in interest rates and manages these risks by investing in financial instruments consistent with its funding requirements.

Sensitivity analysis

An increase/decrease in interest rates of 100 basis points, applied to floating-rate financial liabilities outstanding at 31 December 2017, would have the following effects on the accounts:

<i>(in thousands of euro)</i>	<i>31.12.2017</i>	
Change	-1%	+1%
Change in income statement	(396)	372
Change in equity	(396)	372

Credit risk

Credit risk represents the Company's exposure to potential losses resulting from the failure of counterparties to meet their obligations. In relation in particular to financial counterparty risk resulting from the investment of liquidity and from derivative positions, counterparties are selected according to guidelines which set out the characteristics of the counterparties suitable for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating.

The Company has not encountered any cases of default by counterparties.

At 31 December 2017 there was no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. At present, the company believes that it can meet its foreseeable borrowing requirements on the basis of its available resources and the expected future cash inflows and agreements already in place with the banking system. The objective of liquidity risk management is not only that of guaranteeing sufficient available financial resources to cover short term commitments, but also to ensure where necessary a sufficient level of operating flexibility for development programmes within the Group.

Measurement of financial assets and liabilities and fair value hierarchy

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 following table shows the assets measured at fair value by hierarchical level for 2017 and 2016 (in euro).

No transfers were made between different levels of the fair value hierarchy during the year.

2017	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
<i>Financial assets at fair value in equity</i>				
Financial assets available-for-sale:				
- Investments in other companies	--	8,593,790	--	8,593,790
- Investment funds	--	12,094,782	--	12,094,782
<i>Total</i>	--	20,688,572	--	20,688,572
<i>Financial assets at fair value through profit or loss</i>				
	--	--	--	--
Total financial assets available-for-sale:	--	20,688,572	--	20,688,572
CURRENT ASSETS				
<i>Financial assets at fair value in equity</i>				
Financial assets available-for-sale::				
- Investment funds	--	--	--	--
<i>Total</i>	--	--	--	--
<i>Financial assets at fair value through profit or loss</i>				
Securities held for trading:				
- Investments in other companies	--	932,860	--	932,860
- Investment funds	--	9,367,859	--	9,367,859
<i>Total</i>	--	10,300,719	--	10,300,719
Total securities	--	10,300,719	--	10,300,719
2016	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
<i>Financial assets at fair value in equity</i>				
Financial assets available-for-sale:				
- Investments in other companies	--	1,000,000	--	1,000,000
- Investment funds	--	11,940,349	--	11,940,349
<i>Total</i>	--	12,940,349	--	12,940,349
<i>Financial assets at fair value through profit or loss</i>				
	--	--	--	--
Total available-for-sale financial assets	--	12,940,349	--	12,940,349
CURRENT ASSETS				
<i>Financial assets at fair value in equity</i>				
Financial assets available-for-sale:				
- Investment funds	--	--	--	--
<i>Total</i>	--	--	--	--
<i>Financial assets at fair value through profit or loss</i>				
Securities held for trading:				
- Investments in other companies	--	1,620,166	--	1,620,166
- Investment funds	--	9,645,263	--	9,645,263
<i>Total</i>	--	11,265,429	--	11,265,429
Total securities	--	11,265,429	--	11,265,429

In compliance with the requirements of accounting standard IFRS 7, the following charts give information regarding the various categories of financial assets and liabilities and the risk categories of financial instruments. With regard to financial instruments represented by short-term receivables and payables and for which the present value of future cash flows does not differ significantly from their carrying amount, it is assumed that this is a reasonable approximation of their fair value. In particular, the carrying amount of receivables and other current assets and trade payables and other current liabilities approximates their fair value.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE 2017 SEPARATE FINANCIAL STATEMENTS

<i>(in thousands of euro)</i>	<i>Items</i>	<i>Carrying amount</i>	<i>FVTPL assets designated as such on initial recognition</i>	<i>FVTPL assets classified as held for trading</i>	<i>Loans and receivables</i>	<i>Investments held to maturity</i>	<i>financial assets available -for-sale</i>	<i>FVTPL liabilities designated as such on initial recognition</i>	<i>Liabilities at fair value through P&L classified as held for trading</i>	<i>Liabilities at amortised cost</i>	<i>Fair value</i>	<i>Effect on the income statement</i>	<i>Effect on equity</i>
NON-CURRENT ASSETS													
Other assets	5.e.	15	--	--	15	--	--	--	--	--	15	--	--
Financial assets available-for-sale	5.f.	20,869	--	--	--	--	20,689	--	--	--	20,689	2,997	7,582
CURRENT ASSETS													
Other assets	6.a.	241	--	--	241	--	--	--	--	--	241	--	--
Securities	6.b.	10,301	--	10,301	--	--	--	--	--	--	10,301	242	--
Cash and cash equivalents	6.c.	1,581	--	--	1,581	--	--	--	--	--	1,581	3	--
NON-CURRENT LIABILITIES													
Other loans and borrowings	8.a.	--	--	--	--	--	--	--	--	--	--	--	--
Other liabilities	8.b.	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Other loans and borrowings	9.a.	43,026	--	--	--	--	--	--	--	43,026	43,026	(870)	--
Trade payables	9.b.	777	--	--	--	--	--	--	--	777	777	--	--

Additional disclosures

"Other loans and borrowings" in non-current liabilities relate to two floating-rate bank loans maturing at the end of 2018. The carrying amount is considered a reasonable approximation of its fair value.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE 2016 SEPARATE FINANCIAL STATEMENTS

<i>(in thousands of euro)</i>	<i>Items</i>	<i>Carrying amount</i>	<i>FVTPL assets designated as such on initial recognition</i>	<i>FVTPL assets classified as held for trading</i>	<i>Loans and receivables</i>	<i>Investments held to maturity</i>	<i>Financial assets available-for-sale</i>	<i>FVTPL liabilities designated as such on initial recognition</i>	<i>Liabilities at fair value through P&L classified as held for trading</i>	<i>Liabilities at amortised cost</i>	<i>Fair value</i>	<i>Effect on the income statement</i>	<i>Effect on equity</i>
NON-CURRENT ASSETS													
Other assets	5.e.	15	--	--	15	--	--	--	--	--	15	--	--
Financial assets available-for-sale	5.f.	12,940	--	--	--	--	12,940	--	--	--	12,940	4,600	(3,310)
CURRENT ASSETS													
Other assets	6.a.	261	--	--	261	--	--	--	--	--	261	--	--
Securities	6.b.	11,265	--	11,265	--	--	--	--	--	--	11,265	122	--
Cash and cash equivalents	6.c.	2,430	--	--	2,430	--	--	--	--	--	2,430	15	--
NON-CURRENT LIABILITIES													
Other loans and borrowings	8.a.	36,996	--	--	--	--	--	--	--	36,996	36,996	(1,120)	--
Other liabilities	8.b.	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Other loans and borrowings	9.a.	--	--	--	--	--	--	--	--	--	--	--	--
Trade payables	9.b.	1,039	--	--	--	--	--	--	--	1,039	1,039	--	--

Additional disclosures

"Other loans and borrowings" in non-current liabilities relate to two floating-rate bank loans maturing at the end of 2018. The carrying amount is considered a reasonable approximation of its fair value.

RISK CATEGORIES - 2017

(in thousands of euro)

	Items	Carrying amount	Liquidity risk	Interest rate risk	Exchange rate risk	Credit risk
NON-CURRENT ASSETS						
Other investments	5.d.	--	--	--	--	--
Other assets	5.e.	15	--	--	--	15
Financial assets available-for-sale	5.f.	20,689	--	--	--	20,689
CURRENT ASSETS						
Other assets	6.a.	241	--	--	--	241
Securities	6.b.	10,301	--	--	--	10,301
Cash and cash equivalents	6.c.	1,581	--	--	--	1,581
NON-CURRENT LIABILITIES						
Other loans and borrowings	8.a.	--	--	--	--	--
Other liabilities	8.b.	35	35	--	--	--
CURRENT LIABILITIES						
Other borrowings	9.a.	43,026	43,026	--	--	--
Trade payables	9.b.	777	777	--	--	--

RISK CATEGORIES - 2016

(in thousands of euro)

	Items	Carrying amount	Liquidity risk	Interest rate risk	Exchange rate risk	Credit risk
NON-CURRENT ASSETS						
Other investments	5.d.	--	--	--	--	--
Other assets	5.e.	15	--	--	--	15
Financial assets available-for-sale	5.f.	12,940	--	--	--	12,940
CURRENT ASSETS						
Other assets	6.a.	261	--	--	--	261
Securities	6.b.	11,265	--	--	--	11,265
Cash and cash equivalents	6.c.	2,430	--	--	--	2,430
NON-CURRENT LIABILITIES						
Other loans and borrowings	8.a.	36,996	36,996	--	--	--
Other liabilities	8.b.	35	35	--	--	--
CURRENT LIABILITIES						
Other borrowings	9.a.	--	--	--	--	--
Trade payables	9.b.	1,039	1,039	--	--	--

CREDIT RISK - 2017

(in thousands of euro)

Position at 31 December 2017	Items	Total receivables	Not yet due	Past due by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write- downs
Other equity investments - non-current assets	5.d.									
Fair value		953	953	--						
Provision for write-downs		(953)	(953)	--						
Other receivables - non-current assets	5.e.									
Gross receivable		15	15	--						
Provision for write-downs		--	--	--						
Other receivables - current assets	6.a.									
Gross receivable		241	241	--						
Provision for write-downs		--	--	--						
Total		256	256	--						

CREDIT RISK - 2016

(in thousands of euro)

Position at 31 December 2016	Items	Total receivables	Not yet due	Past due by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write- downs
Other equity investments - non-current assets	5.d.									
Fair value		953	953	--						
Provision for write-downs		(953)	(953)	--						
Other receivables - non-current assets	5.e.									
Gross receivable		15	15	--						
Provision for write-downs		--	--	--						
Other receivables - current assets	6.a.									
Gross receivable		261	261	--						
Provision for write-downs		--	--	--						
Total		276	276	--						

LIQUIDITY RISK - 2017

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Derivative financial liabilities	--	--	--	--	--	--	--
Non-derivative financial liabilities							
Non-current liabilities							
Other loans and borrowings	--	--	--	--	--	--	--
Other liabilities	--	--	--	--	--	35	35
Current liabilities							
Other borrowings	43,026	--	--	--	--	--	43,026
Trade payables	777	--	--	--	--	--	777
Total	43,803	--	--	--	--	35	43,838

Given the special nature of the credit facility, "other borrowings" shows the carrying amount which is taken to represent liquidity risk. At present, significant changes in the interest rate applied cannot reasonably be foreseeable.

LIQUIDITY RISK - 2016

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Derivative financial liabilities	--	--	--	--	--	--	--
Non-derivative financial liabilities							
Non-current liabilities							
Other loans and borrowings	--	36,996	--	--	--	--	36,996
Other liabilities	--	--	--	--	--	35	35
Current liabilities							
Trade payables	1,039	--	--	--	--	--	1,039
Total	1,039	36,996	--	--	--	35	38,070

Given the special nature of the credit facility, "other borrowings" shows the carrying amount which is taken to represent liquidity risk. At present, significant changes in the interest rate applied cannot reasonably be foreseeable.

GUARANTEES AND COMMITMENTS

For the loan maturing in December 2018, CIR shares with a total carrying amount of € 335,278,154 have been pledged to the lending bank.

MANAGEMENT AND COORDINATION ACTIVITY

Cofide is subject to management and coordination by F.Ili De Benedetti S.p.A.

In accordance with art. 2497-bis of the Italian Civil Code, Attachment 2 provides a summary of the key figures from the latest approved separate financial statements of the company exercising management and coordination.

PROPOSED ALLOCATION OF PROFIT FOR THE YEAR

Shareholders,

The separate financial statements for the year ended 31 December 2017, which we submit for your approval, showed a net profit of € 14,155,343.18 which we propose to allocate as follows:

- € 707,767.16 to the legal reserve;
- the difference of € 13,447,576.02 as a dividend of € 0.014¹ per share, with dividend rights from 1 January 2018 (with the exclusion of treasury shares held in portfolio) with the balance going to "Retained earnings".

Note that the actual amounts to be allocated to dividends and to retained earnings will take into account the treasury shares in the portfolio and the ordinary shares outstanding at the date of the Shareholders' Meeting, based on possible further purchases of treasury shares.

THE BOARD OF DIRECTORS

Milan, 12 March 2018

¹ Pursuant to art. 1 of the Ministerial Decree of 2 April 2008, the dividend is understood as being formed entirely out of earnings generated up to the year in progress at 31 December 2007.

EQUITY - Possible uses and distribution

(in euro)

Type	Amount	Possible uses	Amount available
Share capital	359,604,959	=	=
Capital reserves:			
Share premium reserve	5,044,115	A, B	5,044,115
Merger surplus	42,975	A, B, C	42,975
Earnings reserves:			
Legal reserve	23,584,429	B	=
Retained earnings	27,607,103	A, B, C	27,607,103
Recovery of historical cost of investments	121,706,098	A, B, C	121,706,098
IAS FTA reserve	243,375	A, B, C	243,375
Fair value reserve	10,193,282	=	=
TOTAL			154,643,666
Non-distributable portion:			
Share premium reserve, as the legal reserve has not yet reached one-fifth of the share capital (art. 2431 Civil Code)			(5,044,115)
Distributable balance			149,599,551

KEY:

Possible use:

- A: for capital increases
- B: to cover losses
- C: for distribution to shareholders

SUMMARY OF KEY FIGURES FROM THE LATEST FINANCIAL STATEMENTS OF THE MANAGING AND COORDINATING COMPANY

The key figures from the financial statements of F.Ili De Benedetti S.p.A. at 31 December 2016 are as follows:

(in euro)

STATEMENT OF FINANCIAL POSITION

ASSETS		
B)	Non-current assets	245,313,306
C)	Current assets	456,941
	Total assets	245,770,247
LIABILITIES		
A)	EQUITY	
	Share capital	170,820,000
	Reserves	10,653,150
	Profit for the year	4,128,920
D)	PAYABLES	60,068,525
E)	ACCRUED EXPENSES AND DEFERRED INCOME	99,652
	Total liabilities	245,770,247

INCOME STATEMENT

B)	Value of production	987
C)	Costs of production	(338,934)
D)	Financial income and (expense)	4,466,867
	Profit for the year	4,128,920

Separate Financial statements of the direct subsidiary
at 31 December 2017

CIR S.p.A.

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	31.12.2017	31.12.2016
NON-CURRENT ASSETS	870,642,362	968,605,454
INTANGIBLE ASSETS	66,072	75,078
PROPERTY, PLANT AND EQUIPMENT	1,344,473	1,855,132
INVESTMENT PROPERTY	13,891,031	14,474,109
EQUITY-ACCOUNTED INVESTMENTS	755,762,200	809,157,250
OTHER ASSETS	93,875,546	127,318,750
<i>of which with related parties (*)</i>	93,018,596	126,634,186
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5,703,040	13,300,000
DEFERRED TAX ASSETS	--	2,425,135
CURRENT ASSETS	57,931,201	60,174,516
OTHER ASSETS	33,571,118	45,883,610
<i>of which with related parties (*)</i>	15,079,622	28,275,924
CASH AND CASH EQUIVALENTS	24,360,083	14,290,906
TOTAL ASSETS	928,573,563	1,028,779,970
LIABILITIES	31.12.2017	31.12.2016
EQUITY	890,656,406	978,051,532
SHARE CAPITAL	328,062,554	332,862,595
RESERVES	404,901,998	402,559,675
RETAINED EARNINGS	206,725,742	228,398,685
(LOSS) FOR THE YEAR	(49,033,888)	14,230,577
NON-CURRENT LIABILITIES	1,889,140	2,053,619
DEFERRED TAX LIABILITIES	468,250	792,000
EMPLOYEE BENEFIT OBLIGATIONS	1,420,890	1,261,619
CURRENT LIABILITIES	36,028,017	48,674,819
BANK LOANS AND BORROWINGS	--	24
OTHER LIABILITIES	31,076,918	36,630,082
<i>of which with related parties (*)</i>	23,433,597	32,446,441
PROVISIONS FOR RISKS AND CHARGES	4,951,099	12,044,713
TOTAL LIABILITIES AND EQUITY	928,573,563	1,028,779,970

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

INCOME STATEMENT

(in euro)

		2017	2016
SUNDRY REVENUE AND INCOME		2,860,964	3,801,362
<i>of which with related parties (*)</i>	2,102,137	1,905,199	
COSTS FOR SERVICES		(5,679,321)	(9,119,016)
<i>of which with related parties (*)</i>	(70,355)	(49,375)	
PERSONNEL COSTS		(5,462,041)	(5,557,278)
<i>of which with related parties (*)</i>	(94,028)	(30,704)	
OTHER OPERATING EXPENSE		(1,549,196)	(1,752,209)
<i>of which with related parties (*)</i>	--	(54,422)	
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(1,459,854)	(648,305)
OPERATING LOSS		(11,289,448)	(13,275,446)
FINANCIAL INCOME		1,398,525	1,783,230
<i>of which with related parties (*)</i>	1,394,509	1,752,754	
FINANCIAL EXPENSE		(46,069)	(59,084)
DIVIDENDS		20,161,501	23,170,023
<i>of which from related parties (*)</i>	14,821,341	21,420,743	
GAINS FROM TRADING SECURITIES		2,300,000	1
LOSSES FROM TRADING SECURITIES		(7,695)	(514,198)
FAIR VALUE LOSSES ON FINANCIAL ASSETS		(66,435,000)	(1,009,080)
PROFIT (LOSS) BEFORE TAXES		(53,918,186)	10,095,446
INCOME TAXES		4,884,298	4,135,131
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(49,033,888)	14,230,577
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS		--	--
PROFIT (LOSS) FOR THE YEAR		(49,033,888)	14,230,577
BASIC EARNINGS (LOSS) PER SHARE (in euro)		(0.0742)	0.0212
DILUTED EARNINGS (LOSS) PER SHARE (in euro)		(0.0741)	0.0212

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

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS
PURSUANT TO ART. 154 BIS OF THE ITALIAN LEGISLATIVE DECREE 58/98

1. The undersigned, Rodolfo De Benedetti, the Chairman, and Giuseppe Gianoglio, the executive responsible for the preparation of the separate financial statements of Cofide S.p.A., hereby certify, also taking into account the provisions of art. 154 -bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
 - the appropriateness, in relation to the characteristics of the business, and
 - effective application of the administrative and accounting procedures for the preparation of the separate financial statements during the course of 2017.
2. In this respect, no significant issues have arisen which need to be reported.
3. We also certify that the separate financial statements:
 - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - agree with the balances on the books of account and accounting entries;
 - are able to give a true and fair view of the financial position, results and cash flows of the issuer.

The report on operations includes a reliable analysis of the Company's performance and results of operations, as well as the general situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 12 March 2018

Signed by

Rodolfo De Benedetti
Chairman

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

LIST OF EQUITY INVESTMENTS

AT 31 DECEMBER 2017

Pursuant to Art. 38.2 Italian Legislative Decree 127/91

SUBSIDIARIES CONSOLIDATED USING THE FULL LINE-BY-LINE MODEL

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parents</i>	<i>% of ownership</i>
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
CIGA LUXEMBOURG S.à.r.l.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
NEXENTI ADVISORY S.r.l.	Italy	100,000.00	€	CIR S.p.A.	100.00
NEXENTI S.r.l.	Italy	50,000.00	€	CIR S.p.A.	100.00
JUPITER MARKETPLACE S.r.l.	Italy	100,000.00	€	NEXENTI S.r.l.	100.00
CIR INVESTIMENTI S.p.A.	Italy	12,426,162.00	€	CIR S.p.A.	100.00
INSTITUT D'ÉCOLE PRIMAIRE LÉMAN S.A. (in liquidation)	Switzerland	3,695,000.00	Chf	CIR S.p.A.	94.59
GEDİ GROUP					
GEDİ GRUPPO EDITORIALE S.p.A. (*)	Italy	76,303,571.85	€	CIR S.p.A.	43.78
GEDİ NEWS NETWORK S.p.A. (ex FINEGİL EDITORIALE S.p.A.)	Italy	195,044,788.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	99.85
A. MANZONI & C. S.p.A.	Italy	21,933,535.00	€	GEDİ GRUPPO EDITORIALE S.p.A. GEDİ NEWS NETWORK S.p.A.	68.39 31.61 100.00
GEDİ PRINTING S.p.A. (ex ROTOCOLOR S.p.A.)	Italy	33,637,114.00	€	GEDİ NEWS NETWORK S.p.A.	100.00
GEDİ DISTRIBUZIONE S.p.A. (ex SOMEDIA S.p.A.)	Italy	677,608.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	100.00
ELEMEDIA S.p.A.	Italy	25,000,000.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	100.00
GEDİ DIGITAL S.r.l. (ex NEXTA S.r.l.)	Italy	278,846.00	€	GEDİ GRUPPO EDITORIALE S.p.A. GEDİ NEWS NETWORK S.p.A.	82.07 17.93 100.00
MO-NET S.r.l.	Italy	35,800.00	€	GEDİ DIGITAL S.r.l.	83.00
SOGEFI GROUP					
SOGEFI S.p.A. (**)	Italy	62,393,755.84	€	CIR S.p.A.	55.39
SOGEFI FILTRATION ITALY S.p.A. (ex SOGEFI ITALY S.p.A.)	Italy	8,000,000.00	€	SOGEFI S.p.A.	99.88
SOGEFI FILTRATION S.A. (ex SOGEFI FILTRATION FRANCE S.A.)	France	120,596,780.00	€	SOGEFI S.p.A.	99.99998
SOGEFI FILTRATION Ltd	UK	5,126,737.00	£GBP	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION SPAIN S.A.U.	Spain	14,249,084.96	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION d.o.o.	Slovenia	10,291,798.00	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI SUSPENSIONS S.A. (ex SOGEFI SUSPENSIONS FRANCE S.A.)	France	73,868,383.00	€	SOGEFI S.p.A.	99.999
FILTER SYSTEMS MAROC S.a.r.l.	Morocco	1,000,000.00	AED	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION RUSSIA LLC	Russia	6,800,000.00		SOGEFI FILTRATION S.A.	100.00
SOGEFI GESTION S.A.S.	France	100,000.00	€	SOGEFI S.p.A.	100.00
SOGEFI U.S.A. Inc.	United States	20,055,000.00	\$USA	SOGEFI S.p.A.	100.00
SOGEFI AIR & COOLING S.A.S. (ex SOGEFI AIR & REFRIGERATION FRANCE S.A.S.)	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	103,713,074.00	Real	SOGEFI FILTRATION S.A. SOGEFI FILTRATION SPAIN S.A.U. SOGEFI SUSPENSION BRASIL Ltda	86.1084 13.8915 0.0000010 100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	57,235,407.00	Pesos	SOGEFI FILTRATION S.A. SOGEFI FILTRATION ITALY S.p.A.	99.4242 0.5757 99.9999

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parents	% of ownership
SHANGHAI SOGEFI AUTO PARTS Co., Ltd	China	13,000,000.00	\$USA	SOGEFI S.p.A.	100.00
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd	China	37,400,000.00	\$USA	SOGEFI S.p.A.	100.00
ALLEVARD SPRINGS Ltd	UK	4,000,002.00	£GBP	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI PC SUSPENSIONS GERMANY GmbH	Germany	50,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI SUSPENSION ARGENTINA S.A.	Argentina	48,858,410.00	Pesos	SOGEFI SUSPENSIONS S.A.	90.19
				SOGEFI SUSPENSIONS BRASIL Ltda	9.80
					99.99
IBERICA DE SUSPENSIONES S.L. (ISSA)	Spain	10,529,668.00	€	SOGEFI SUSPENSIONS S.A.	50.00
SOGEFI SUSPENSION BRASIL Ltda	Brazil	37,161,683.00	Real	SOGEFI SUSPENSIONS S.A.	99.997
				ALLEVARD SPRINGS Ltd	0.003
					100.00
UNITED SPRINGS Ltd	UK	4,500,000.00	£GBP	SOGEFI SUSPENSIONS S.A.	100.00
UNITED SPRINGS B.V.	Netherlands	254,979.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SHANGHAI ALLEVARD SPRING Co., Ltd	China	5,335,308.00	€	SOGEFI SUSPENSIONS S.A.	60.58
UNITED SPRINGS S.A.S.	France	5,109,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI HD SUSPENSIONS Pvt Ltd (ex LUHN & PULVERMACHER-DITTMANN & NEUHAUS GmbH)	Germany	50,000.00	€	SOGEFI PC SUSPENSIONS GERMANY GmbH	100.00
S.ARA COMPOSITE S.A.S.	France	13,000,000.00	€	SOGEFI SUSPENSIONS S.A.	96.15
SOGEFI 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	423,753,280.00	Inr	SOGEFI SUSPENSIONS S.A.	75.67
SOGEFI AIR & COOLING CANADA CORP.	Canada	9,393,000.00	Cad	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI AIR & COOLING USA Inc.	Uniti 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.	99.9997
				SOGEFI FILTRATION SPAIN S.A.U.	0.003
					100.00
SOGEFI ENGINE SYSTEMS HONG KONG Ltd	Hong Kong	1,000.00	Hkd	SYSTÈMES MOTEURS CHINA S.à.r.l.	100.00
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.r.l.	Italy	6,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSIONS PASSENGER CAR ITALY	Italy	8,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88

(*) 45.75% net of own shares held as treasury stock

(**) 56.66 % 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>Parents</i>	<i>% of ownership</i>
KOS GROUP					
KOS S.p.A.	Italy	8,848,103.70	€	CIR S.p.A.	59.53
OSPEDALE DI SUZZARA S.p.A.	Italy	120,000.00	€	KOS S.p.A.	99.90
MEDIPASS S.r.l.	Italy	700,000.00	€	KOS S.p.A.	100.00
ELSIDA S.r.l.	Italy	100,000.00	€	MEDIPASS S.r.l.	100.00
ECOMEDICA S.p.A.	Italy	380,000.00	€	MEDIPASS S.r.l.	98.31
MEDIPASS HEALTHCARE LTD	UK	5,997.00	£GBP	MEDIPASS S.r.l.	98.00
CLEARMEDI HEALTHCARE LTD	India	10,717,240.00	INr	MEDIPASS S.r.l.	79.14
				CLEARVIEW HEALTHCARE LTD	20.86
					100.00
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	£GBP	MEDIPASS HEALTHCARE LTD	100.00
MEDIPASS LEEDS LTD (ex HTI LEEDS)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
MEDIPASS BELFAST LTD (ex HTI IRELAND)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
KOS CARE S.r.l.	Italy	2,550,000.00	€	KOS S.p.A.	100.00
POLO GERIATRICO RIABILITATIVO S.p.A.	Italy	320,000.00	€	RESIDENZE ANNI AZZURRI S.r.l.	96.00
CLEARVIEW HEALTHCARE LTD	India	4,661,880.00	INr	MEDIPASS S.r.l.	85.19
HSS REAL ESTATE S.r.l.	Italy	2,064,000.00	€	KOS S.p.A.	100.00
ABITARE IL TEMPO S.r.l.	Italy	100,826.00	€	KOS CARE S.r.l.	54.00
SANATRIX S.r.l.	Italy	843,700.00	€	KOS CARE S.r.l.	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	€	KOS CARE S.r.l.	100.00
FIDIA S.r.l.	Italy	10,200.00	€	KOS CARE S.r.l.	60.00
VILLA MARGHERITA	Italy	20,000.00	€	KOS CARE S.r.l.	100.00
KOS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	115,000.00	€	KOS S.p.A.	3.68
				KOS CARE S.r.l.	83.05
				MEDIPASS S.r.l.	2.07
				OSPEDALE DI SUZZARA S.p.A.	2.15
				SANATRIX GESTIONI S.r.l.	3.02
				ABITARE IL TEMPO S.r.l.	4.94
				FIDIA S.r.l.	0.43
				JESILAB S.r.l.	0.43
				ELSIDA S.r.l.	0.23
					100.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES
CONSOLIDATED USING THE EQUITY MODEL

(in euro or foreign currency)

<i>Name of Company</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Parents</i>	<i>% of ownership</i>
-------------------------------	---------------------------------	-----------------------------	------------------------	-----------------------	------------------------------

CIR GROUP

DEVIL PEAK S.r.l.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
-------------------	-------	-----------	---	----------------	-------

GEDI GROUP

LE SCIENZE S.p.A.	Italy	103,400.00	€	GEDI GRUPPO EDITORIALE S.p.A.	50.00
HUFFINGTONPOST ITALIA S.r.l.	Italy	250,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	49.00
EDITORIALE CORRIERE ROMAGNA S.r.l.	Italy	1,756,766.00	€	GEDI NEWS NETWORK S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	GEDI NEWS NETWORK S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	GEDI NEWS NETWORK S.p.A.	35.00
PERSIDERA S.p.A.	Italy	21,428,572.00	€	GEDI GRUPPO EDITORIALE S.p.A.	30.00

SOGEFI GROUP

MARK IV ASSET (Shanghai) AUTO PARTS Co., Ltd	China	5,000,000.00	CNY	SOGEFI ENGINE SYSTEMS HONG KONG Ltd	50.00
--	-------	--------------	-----	-------------------------------------	-------

CIR INTERNATIONAL GROUP

KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
---------------------------	------------	------------	---	------------------------	-------

KOS GROUP

APOKOS REHAB PVT Ltd	India	169,500,000.00	Inr	KOS S.p.A.	50.00
----------------------	-------	----------------	-----	------------	-------

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	Registered office	Share capital	Currency	Parents	% of ownership
GEDI GROUP					
ENOTRYA S.r.l. (in liquidation)	Italy	75,000.00	€	GEDI DIGITAL S.r.l.	70.00
CELLULARMANIA.COM S.r.l. (in liquidation)	Italy	10,400.00	€	GEDI DIGITAL S.r.l.	100.00
KSOLUTIONS S.r.l. (in liquidation)	Italy	100,000.00	€	GEDI DIGITAL S.r.l.	100.00
CLUB D.A.B. ITALIA – CONSORTILE S.p.A.	Italy	240,000.00	€	ELEMEDIA S.p.A.	37.50
LIGURIA PRESS S.r.l.	Italy	240,000.00	€	GEDI NEWS NETWORK S.p.A.	20.00
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	Parents	% of ownership
GEDI GROUP					
AGENZIA A.N.S.A. S. COOP. a.r.l.	Italy	10,783,355.63	€	GEDI GRUPPO EDITORIALE S.p.A. GEDI NEWS NETWORK S.p.A.	3.68 20.59 <u>24.26</u>
CONSULEDIT S. CONSORTILE a.r.l. (in liquidation)	Italy	20,000.00	€	GEDI GRUPPO EDITORIALE S.p.A. GEDI NEWS NETWORK S.p.A.	6.64 9.18 <u>15.82</u>
IMMOBILIARE EDITORI GIORNALI S.r.l.	Italy	830,462.00	€	GEDI NEWS NETWORK S.p.A.	7.96
CONSORZIO EDICOLA ITALIANA	Italy	51,497.00	€	GEDI GRUPPO EDITORIALE S.p.A. GEDI NEWS NETWORK S.p.A.	16.67 16.67 <u>33.33</u>
FCA servizi per l'industria S. consortile p.A.	Italy	1,652,669.00	€	GEDI NEWS NETWORK S.p.A.	1.50
AGENZIA INFORMATIVA ADRIATICA d.o.o.	Slovenia	12,768.00	€	GEDI NEWS NETWORK S.p.A.	19.00
AUDIRADIO S.r.l. (in liquidation)	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES Inc. (non-operating)	Uniti States	7,663,998.40	\$USA	GEDI DIGITAL S.r.l.	7.83
D-SHARE S.r.l.	Italy	110,950.02	€	GEDI DIGITAL S.r.l.	10.96
TELELIBERTÀ S.p.A.	Italy	2,200,000.00	€	GEDI NEWS NETWORK S.p.A.	4.32
PREMIUM PUBLISHER NETWORK consorzio	Italy	19,426.00	€	GEDI GRUPPO EDITORIALE S.p.A. GEDI NEWS NETWORK S.p.A.	16.96 7.00 <u>23.96</u>
TAVOLO EDITORI RADIO S.r.l.	Italy	110,000.00	€	ELEMEDIA S.p.A.	12.50
C.S.E.D.I. consorzio	Italy	103,291.38	€	GEDI DISTRIBUZIONE S.p.A.	11.11
FIDIMPRESA S. Coop p.A.	Italy	15,480,000.00	€	GEDI NEWS NETWORK S.p.A.	0.01
TRENTO PRESS SERVICE S.r.l.	Italy	260,000.00	€	GEDI NEWS NETWORK S.p.A.	1.60
SOGEFI GROUP					
AFICO FILTERS S.A.E.	Egypt	14,000,000.00	EGP	SOGEFI ITALY S.p.A.	17.77
KOS GROUP					
FONDO SPAZIO SANITÀ	Italy	80,756,000.00	€	KOS CARE S.r.l.	1.11

INVESTMENTS 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>Parents</i>	<i>% of ownership</i>
<i>CIR GROUP</i>					
FINAL S.A. <i>(in liquidation)</i>	France	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73

REPORT OF THE BOARD OF STATUTORY AUDITORS

COFIDE Gruppo De Benedetti S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998

To the Shareholders of COFIDE S.p.A.

During the year ended 31 December 2017 we performed the monitoring activities required of us by the applicable laws and regulations, in accordance with the Principles of Conduct for Statutory Auditors recommended by the National Council of Business Consultants and Accountants and the guidelines of the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana S.p.A. In preparing this report, we took account of the above and of the recommendations made with Consob Communiqué no 1025564 of 6 April 2001 and subsequent updates.

The directors have informed you in the Report on Operations and the explanatory notes accompanying the financial statements about the most significant transactions that took place during the year and subsequent to year end.

Given all of the above, having regard for the manner in which the activities for which it is responsible were performed during the year, the members of the Board of Statutory Auditors confirm that:

- we attended all Meetings held during the year of the Shareholders and the Board of Directors. We obtained from the Directors timely and full information on operations and on the more significant transactions from an economic and financial point of view entered into by the Company and its subsidiaries, in accordance with the law and the articles of association; one or more of our members have always attended meetings of the Audit and Risk Committee and of the Nominations and Remuneration Committee;
- we gained the knowledge we required to carry out our duties regarding compliance with the law and the articles of association, respect for the principles of sound administration and the adequacy of the Company's organisational structure through direct investigation, collecting data and information from the heads of department involved and from an exchange of key data and information with the independent auditors;
- we received from the independent auditors the report foreseen in art. 14 of Legislative Decree 39/2010 and 10 of EU regulation 537/2014, issued on 4 April 2018, concerning the separate and consolidated financial statements at 31 December 2017; in particular, we ascertained the inclusion in the report in question of the changes introduced by Legislative Decree 135/2016 regarding the obligation to provide a series of additional information;
- we received from the independent auditors the additional report as per art. 11 of the European Regulation 537/2014, issued on 4 April 2018, from which no significant matters arose that might need mentioning here; this report will be sent on to the Board of Directors. Attached to the additional report pursuant to art. 11 of EU Regulation 537/2014, we received the annual confirmation of the Auditors' independence pursuant to art. 6, paragraph 2), lett. a) of the EU Regulation;

- we exercised the functions of the Board of Statutory Auditors which art. 19 of Legislative Decree no. 39/2010 identifies as those of the "Internal Control and Audit Committee";
- pursuant to art. 149, paragraph 1. lett. d) of TUF, we monitored the effectiveness of the internal control system on subsidiaries and the adequacy of the instructions given to them, also in terms of art. 114, paragraph 2, of Legislative Decree no. 58/1998. we checked that the rules of corporate governance foreseen in the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A. were being put into practice by the Company;
- we supervised compliance with the procedure for the Company's related party transactions with the principles contained in the Consob Regulations approved by resolution no. 17221 of 12 March 2010 and subsequent amendments, as well as compliance with the procedure itself;
- we checked that the supervisory bodies of the company's subsidiaries did not have any significant matters to communicate;
- we checked that the provisions of current law and regulations were being complied with in the preparation and format of the separate and consolidated financial statements, including all accompanying documents, which include, among other things, the information referred to in the regulations issued jointly by the Bank of Italy, Consob and Isvap;
- we monitored the adequacy of the methods and processes used to prepare the consolidated non-financial statement, as well as the fulfilment of legal obligations regarding its preparation and publication, including KPMG's issuance of the report as per art. 3 paragraph 10 of the Legislative Decree n. 254/2016;
- we evaluated positively the adequacy of all the procedures, processes and structures that have overseen the production, reporting and representation of the results and consolidated non-financial information pursuant to Legislative Decree 254/2016 of 30 December 2016;
- we verified that the procedures performed to test whether any assets had suffered impairment were adequate from a methodological viewpoint;
- we verified that the report on operations for the year complies with current laws and regulations and is consistent with the resolutions adopted by the Board of Directors.

During the course of our monitoring activities, carried out as explained above, no significant facts emerged requiring notification to the Supervisory Bodies nor do we have any proposals to make regarding the financial statements, their approval or any other matters relating to our mandate.

The specific indications that this report has to provide are listed below, in accordance with Consob Communiqué of 6 April 2001 and subsequent updates.

- We obtained sufficient information on the more significant transactions from an economic and financial viewpoint entered into by the Company and subsidiaries, checking that they were in accordance with the law and the articles of association; the Directors have made adequate disclosures about these transactions in the report on operations; we also obtained information and ensured that the transactions approved

and/or put in place were not clearly imprudent, rash, in contrast with resolutions adopted, in potential conflict of interest or in any way likely to compromise the integrity of the Company's assets,

- Adequate information was given to us regarding intercompany and related-party transactions. Based on the information gathered, we ascertained that these transactions complied with the law and with the articles of association, were in the interests of the Company and did not give rise to any doubts as to the correctness and completeness of the information given in the financial statements, the existence of situations of conflict of interest, the protection of the Company's assets or the safeguarding of minority shareholders; the documents accompanying the separate financial statements give appropriate details about the balance sheet and economic effects of such transactions; the periodic checks and controls carried out in the Company's offices did not reveal that any atypical and/or unusual transactions had been carried out.
- In the report on operations and notes, the directors provide adequate and exhaustive information on the main transactions carried out during the course of the year; of these, it is worth mentioning completion of the integration of ITEDI SpA with Gruppo Editoriale L'Espresso SpA (GEDI SpA) and GEDI SpA's decision to take advantage of the opportunity to settle (under art. 11 of DL 50/2017) a tax dispute dating back to 1991, as well as the events involving GEDI SpA that took place after the end of the year.
- At 4 April 2018, KPMG S.p.A. issued its audit reports on the separate and consolidated financial statements for the year ended 31 December 2017, including their opinion regarding their consistency as required by art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, without any objections or highlighting any particular matters. In relation to the provisions introduced by Legislative Decree 135/2016 in compliance with EU regulation 537/2014 on this matter, during the year the Board of Statutory Auditors carried out the preliminary analysis and, if necessary, approved each engagement by the Company and its subsidiaries to KPMG or to companies in its network; these fees are appropriate for the size and complexity of the work performed and do not appear to be of such a size as to affect the independence and autonomy of the auditors in carrying out their audit functions.
- During the year ended 31 December 2017, the subsidiaries of Cofide SpA appointed companies belonging to the auditing firm's network for the provision of services for fees totalling Euro 448,000,
- In 2017, Cofide SpA gave an additional appointment to KPMG with respect to the legal audit of the attestation for 2017-2025 of the compliance of the information provided in the Cofide consolidated non-financial statement pursuant to Legislative Decree n. 254/2016 for an annual fee of Euro 5.320, free for 2017. A similar appointment was also given on KPMG SpA by the subsidiaries of COFIDE SpA, for a total annual fee of Euro 53,570, also free for 2017.
- During the year, we issued opinions in accordance with art. 2389 of the Civil Code.
- During 2017, we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
- During 2017, there were 5 meetings of the Board of Directors, 6 meetings of the Audit and Risk Committee and 1 meeting of the Nominations and Remuneration Committee; the Board of Statutory Auditors met 13 times during the year.

- We have no particular observations to make concerning compliance with the principles of correct administration, because these appear to have been constantly observed, or concerning the adequacy of the organisational structure, which we found to be suitable to meet the operating, managerial and control needs of the Company.
- The system of internal control appeared to be adequate for the size and type of operations of the Company, as we also ascertained at meetings of the Audit and Risk Committee, all of which were attended by a member of the Board of Statutory Auditors.
- We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events correctly; as regards the accounting information presented in the separate and consolidated financial statements for the year ended 31 December 2017, it has been certified without any significant matters raised, by the Chairman of the Board of Directors and by the Executive responsible for the preparation of the company's financial statements in accordance with art. 154-bis, paragraph 5 of Legislative Decree no. 58/1998 and art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions.
- We have no observations to make regarding the adequacy of information flows from the subsidiaries to the Parent Company to ensure the timely fulfilment of communication obligations required by law.
- During the regular exchanges of information and data between the Board of Statutory Auditors and the Independent Auditors, no further aspects emerged that need to be highlighted in this report.
- The Company has substantially complied with the recommendations contained in the Code of Conduct prepared by the Committee for the Corporate Governance of Listed Companies and has illustrated its corporate governance model in the Report on this subject, also prepared in accordance with art. 123-bis of Legislative Decree no. 58/1998. To the extent of our responsibilities, we have monitored the way in which the rules of corporate governance required by the Code of Conduct adopted by the Company are actually implemented, ensuring among other things that the Corporate Governance Report contains the results of the periodic check that the Board of Statutory Auditors meets the necessary independence requirement, which are determined on the same basis as for Directors. In relation to the matters laid down in Legislative Decree no. 231/2001, the Company has adopted, implemented and maintained an "Organisational Model" of behaviour and governance of its activities, and has established the Supervisory Body envisaged in the legislation which comprises the members of the Board of Statutory Auditors. The Company has also adopted a Code of Ethics.
- Our monitoring activities were carried out on a routine basis during 2017 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note.

On completion of the surveillance activity that we carried out during the year, we do not have any proposals to make as per art. 153, paragraph 2, of Legislative Decree no. 58/1998 regarding the separate financial statements at 31 December 2017, on their approval or on any other matter within our area of responsibility, just as we have no observations to make on the allocation of the net profit for the year proposed by the Board of Directors.

We thank you for your confidence in us.

Milan, 4 April 2018

THE BOARD OF STATUTORY AUDITORS

Riccardo Zingales – Chairman of the Board of Statutory Auditors

Antonella Dellatorre – Statutory Auditor

Tiziano Bracco – Statutory Auditor

REPORT OF INDIPENDENT AUDITORS

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
COFIDE – Gruppo De Benedetti S.p.A.*

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the COFIDE – Gruppo De Benedetti Group (the “Group”), which comprise the statement of financial position as at 31 December 2017, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the COFIDE Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of COFIDE – Gruppo De Benedetti S.p.A. (the “Company”) in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill and intangible assets with an indefinite useful life

Notes to the consolidated financial statements: Notes 3 "Accounting policies" and 7.a. "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2017 comprise intangible assets of €1,138.3 million, including goodwill of €439.6 million and other intangible assets with an indefinite useful life of €541.4 million.</p> <p>The Group tests the carrying amounts of these assets for impairment at least annually and whenever there are indicators of impairment, by comparing them to the estimated recoverable amount.</p> <p>The Group calculated the recoverable amount of goodwill and intangible assets with an indefinite useful life by estimating their value in use, using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — the expected cash flows, calculated by taking into account the general economic performance and that of its sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. <p>For the above reasons, we believe that the recoverability of the carrying amount of goodwill and intangible assets with an indefinite useful life is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process adopted for impairment testing approved by the Company's board of directors. — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the Group to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about goodwill, intangible assets with an indefinite useful life and the related impairment tests.

Measurement of provisions for risks and charges

Notes to the consolidated financial statements: Notes 3 "Accounting policies" and 10.d "Provisions for risks and charges"

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2017 comprise provisions for risks and charges of €140.1 million, including the provision for pending disputes of €25.5 million, the provision for restructuring</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process for the measurement of provisions for risks and charges and the related IT environment and assessing the design and

Key audit matter	Audit procedures addressing the key audit matter
<p>charges of €13.0 million, the provision for product warranties of €18.2 million and the provision for other risks of €3.4 million.</p> <p>The directors disclosed the main pending disputes and the recent judicial investigations involving GEDI Gruppo Editoriale S.p.A. and some of its subsidiaries in the notes.</p> <p>Measuring provisions for risks and charges entails directors' estimates about the liabilities that the Group will bear. These estimates are extremely complex and of an uncertain nature.</p> <p>For the above reasons, we believe that measuring provisions for risks and charges is a key audit matter.</p>	<p>implementation of controls and procedures to assess the operating effectiveness of material controls;</p> <ul style="list-style-type: none"> — analysing the discrepancies between past years' estimates of the provisions for risks and charges and actual figures resulting from their subsequent settlement, in order to check the accuracy of the estimation process; — sending written requests for information to the legal advisors assisting the group about the assessment of the risk of losing pending disputes and the quantification of the related liability; — for the main disputes, analysing the assumptions used to determine the provisions for risks and charges through discussions with the relevant internal departments and legal advisors and analyses of the supporting documentation; — analysing the events after the reporting date that provide information useful for an assessment of the provisions for risks and charges; — assessing the appropriateness of the disclosures provided in the notes about the provisions for risks and charges.

Allocation of the consideration paid for the acquisition of the ITEDI Group by GEDI Gruppo Editoriale S.p.A.

Notes to the consolidated financial statements: Note 2.d. "Changes in consolidation scope"

Key audit matter	Audit procedures addressing the key audit matter
<p>On 27 June 2017, the subsidiary GEDI Gruppo Editoriale S.p.A. acquired Italiana Editrice S.p.A. and its subsidiaries ("ITEDI Group").</p> <p>Assisted by external experts, the subsidiary's directors completed the recognition of the acquisition-date fair value of the assets acquired and liabilities assumed during 2017. They measured the fair value of the assets acquired and liabilities assumed using a multi-period excess earnings method. The method is very complex and entails the use</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process adopted by the subsidiary's directors to allocate the consideration paid for the acquisition of the ITEDI Group; — analysing the report prepared by the external consultants engaged by the subsidiary to measure the fair value of the assets acquired and liabilities assumed with the acquisition of the ITEDI Group;

Key audit matter	Audit procedures addressing the key audit matter
<p>of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — the expected cash flows, calculated by taking into account the ITEDI Group's performance and that of its sector; — the financial parameters used to calculate the discount rate. <p>For the above reasons and due to the materiality of the transaction, we believe that the allocation of the consideration paid for the acquisition of the ITEDI Group is a key audit matter.</p>	<ul style="list-style-type: none"> — involving experts of the KPMG network in the assessment of the reasonableness of the allocation model and related assumptions, including by means of a comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about the transaction.

Other matters - Comparative figures

The Group's 2016 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 5 April 2017.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of COFIDE – Gruppo De Benedetti S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial

statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 April 2017, the shareholders of COFIDE – Gruppo De Benedetti S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of COFIDE – Gruppo De Bendetti S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the COFIDE Group at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

***Statement pursuant to article 4 of the Consob regulation implementing
Legislative decree no. 254/16***

The directors of COFIDE – Gruppo De Benedetti S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 4 April 2018

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
COFIDE – Gruppo De Benedetti S.p.A.*

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of COFIDE – Gruppo De Benedetti S.p.A. (the “Company”), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of COFIDE – Gruppo De Benedetti S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the separate financial statements” section of our report. We are independent of COFIDE – Gruppo De Benedetti S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of investments in subsidiaries

Notes to the separate financial statements: Notes 2.e. "Investments in subsidiaries and associates" and 5.c "Investments in subsidiaries"

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2017 include investments in subsidiaries of €573.8 million, relating to the subsidiary CIR S.p.A..</p> <p>At least annually, the directors check whether there are any indicators of impairment and, if there are any, they test these equity investments for impairment and check their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — the expected cash flows, calculated by taking into account the general economic performance and that of the subsidiary's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. <p>For the above reasons, we believe that the measurement of investments in subsidiaries is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process adopted for impairment testing approved by the Company's board of directors. — understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used by the Company to prepare the forecasts; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the forecasts and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about the measurement of equity investments.

Other matters

Management and coordination

As required by the law, the Company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of COFIDE – Gruppo De Benedetti S.p.A. does not extend to such data.

Comparative figures

The Company's 2016 separate financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 5 April 2017.

Responsibilities of the directors and board of statutory auditors (“Collegio Sindacale”) of COFIDE – Gruppo De Benedetti S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a

material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 April 2017, the shareholders of COFIDE – Gruppo De Benedetti S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of COFIDE – Gruppo De Benedetti S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of COFIDE – Gruppo De Benedetti S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 4 April 2018

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit