

COFIDE

Gruppo De Benedetti

ANNUAL REPORT

2018

CONTENTS

CORPORATE BODIES

BOARD OF DIRECTORS	05
NOTICE OF ANNUAL GENERAL MEETING	07

REPORT ON OPERATIONS

1. PERFORMANCE OF THE GROUP	14
2. PERFORMANCE OF THE PARENT	18
3. RECONCILIATION OF THE PARENT'S FINANCIAL STATEMENTS WITH THE CONSOLIDATED FIGURES	19
4. PERFORMANCE OF THE BUSINESS SEGMENTS	21
5. OUTLOOK	27
6. PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH COFIDE S.P.A. AND THE GROUP ARE EXPOSED ..	27
7. OTHER INFORMATION	29

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

1. STATEMENT OF FINANCIAL POSITION	36
2. INCOME STATEMENT	37
3. STATEMENT OF COMPREHENSIVE INCOME	38
4. STATEMENT OF CASH FLOWS	39
5. STATEMENT OF CHANGES IN EQUITY	40
6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	41
CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE N. 58/98.....	138

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

1. STATEMENT OF FINANCIAL POSITION	140
2. INCOME STATEMENT	141
3. STATEMENT OF COMPREHENSIVE INCOME	142
4. STATEMENT OF CASH FLOWS	143
5. STATEMENT OF CHANGES IN EQUITY	144
6. NOTES TO THE SEPARATE FINANCIAL STATEMENTS	145
CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE N. 58/98.....	182

LIST OF EQUITY INVESTMENTS AT 31 DECEMBER 2018.....

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE INDEPENDENT AUDITORS

This Annual Report at 31 December 2018 has been prepared pursuant art. 154 ter of Italian Legislative Decree 58/1998 and in accordance with applicable international accounting standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of European Parliament and of the Council of 19 July 2002, as well as all the measures issued in implementation of art. 9 of Italian Legislative Decree 38/2005.

COFIDE - Gruppo De Benedetti S.p.A.

Share capital € 359,604,959

Company Register and Tax Code 01792930016

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

Registered office and operating offices
20121 Milan, Via Ciovassino 1
Tel. (02) 72270.1 Telefax (02) 72270.270

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

CORPORATE BODIES

BOARD OF DIRECTORS

Honorary Chairman CARLO DE BENEDETTI

Chairman RODOLFO DE BENEDETTI (*)

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

Secretary to the Board MASSIMO SEGRE

BOARD OF STATUTORY AUDITORS

Chairman RICCARDO ZINGALES

Acting Statutory Auditors TIZIANO BRACCO
ANTONELLA DELLATORRE

Alternate Statutory Auditors LUIGI NANI
LUIGI MACCHIORLATTI VIGNAT
PAOLA ZAMBON

INDEPENDENT AUDITORS

KPMG S.p.A.

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

(*) Powers as per Corporate Governance

(1) Member of the Appointments and Compensation Committee

(2) Member of the Control and Risk Committee

(3) Lead Independent Director

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 session of the Annual General Meeting on 29 April 2019 at 4.00 p.m., on single call, in the Palazzo delle Stelline Congress Centre, Corso Magenta 61, to discuss and pass resolution on the following

AGENDA

Ordinary Part

1. Financial Statements for the year ended December 31 2018. Resolutions on the same. Presentation of the Consolidated Financial Statements at as end for the year ended 31 December 2018.
2. Determination of the number of Directors, appointment of the members of the Board of Directors for the years 2019-2021 and decision as to their fees.
3. Proposal to cancel the resolution of 27 April 2018 regarding the authorization to purchase and dispose of treasury shares and proposal for a new authorization.
4. Remuneration Report.

Extraordinary Part

1. Amendments to the Company Bylaws on the subject of increased voting rights. 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' ANNUAL GENERAL 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 in accordance with 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 16 2019, the seventh trading day preceding the date fixed for the single 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 36 of the single Measure on post-trading issued by Consob and Bank of Italy on August 13 2018, 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 Office – 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 on single call (i.e. by Thursday April 25 2019). 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 Office, 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 end of the third day preceding the date fixed for the meeting at the single calling, i.e. by 26 April 2019.

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 Office 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 single call of the Shareholders' Meeting, by which time the report prepared by the proposers of the same will be made available to the public.

APPOINTMENT OF THE BOARD OF DIRECTORS

In relation to the second item on the Agenda, notice is given that with the coming Annual General Meeting the term of office of the Board of Directors will come to an end. At the said meeting, therefore, new members will be appointed for the years 2019-2021, as per the terms of Art. 147-*ter* of the TUF and Art. 11 of the Company Bylaws to which reference should be made.

The Directors are appointed by the Shareholders' Meeting on the basis of lists presented by the Shareholders which list the candidates in numerical order.

Only Shareholders who alone or together with other Shareholders represent at least 2.5% (two point five per cent) of the share capital can present lists. The lists, signed by the Shareholder or Shareholders who are presenting them or even by one of them delegated to do so by the other, accompanied by the required documentation, must be filed by the presenting Shareholders with the Registered Office of the Company or sent to the following certified email address: segre@legalmail.it by 4 April 2019 and will be published in accordance with current regulations.

A Shareholder or a group of Shareholders cannot present or vote for more than one list, even through an intermediary or a fiduciary company. Nobody can be a candidate on more than one list and acceptance of candidature on more than one list means that that person cannot be elected. Lists that include a number of candidates equal to or higher than three must include candidates belonging to both genders in at least the proportion specified in current legislation on the subject of gender balancing.

Shareholders who intend to present lists are invited to consult the recommendations contained in Consob Communiqué DEM/9017893 of 26 February 2009.

The lists must be accompanied by:

- The information relating to the identity of the Shareholders who have presented them, with an indication of the percentage of their total shareholding interest and with one (or more) certificate(s), to be filed at the Registered Office at the same time or, in any case, by 8 April 2019 at the latest. This information should show their entitlement as of the date on which the lists were presented;
- A declaration by Shareholders other than those holding, even jointly, a controlling interest or a relative majority, stating that they have no connection with the latter as indicated by current legislation and regulations on this subject;
- An exhaustive description of the personal and professional characteristics of the candidates together with a declaration by the same candidates, attesting that they possess the requisites required by current regulations and by the Company Bylaws and in which they accept their candidature; there should also be an indication of whether they are suitable to be qualified as Independent as per the terms of the law or of regulations.

Candidates for the position of Member of the Board of Directors must possess the requisites required mandatorily by current regulations and must declare any other positions they hold with the competition.

Should only one list be presented or admitted to the vote, all the Directors will be drawn from that list. In the event that no list is presented or if fewer Directors are elected than the number decided upon by the General Meeting, another General Meeting must be called to appoint the whole Board of Directors.

Any lists presented that do not comply with the rules stated above will be considered as not having been presented.

RIGHT OF WITHDRAWAL

It should be pointed out that if the proposal to amend the Company Bylaws on the subject of increased voting rights is approved by the Extraordinary General Meeting, Shareholders who do not agree with the adoption of the relative resolution will have the right of withdrawal as per the terms of Art. 2437, paragraph 1, letter g) of the Italian Civil Code.

Therefore, Shareholders who did not approve the resolution on the amendment of the Company Bylaws may exercise the right of withdrawal within 15 days of the date on which the resolution of the Extraordinary General Meeting is recorded in the Register of Companies. This date will be published with a notice issued as per the terms of the law and regulations.

It should also be noted that the unit value at which the shares of the Company will be liquidated when the right of withdrawal is exercised, calculated in accordance with the terms of Article 2437-ter, of the Italian Civil Code, with reference to the arithmetical average of the closing prices in the six months preceding the date of publication of this notice of meeting will be communicated to the market in a subsequent notice as per the terms of the law and regulations.

It must be pointed out that the effective application of the resolution on the amendment to the Bylaws will be subject to the condition precedent that the total value of the sale of COFIDE shares for which the right of withdrawal may be validly exercised, does not exceed Euro 5,000,000.00. As this condition is in the exclusive interest of the Company, it may be waived by the same Company.

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 eMarket STORAGE 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 2018 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 12 2019

For the Board of Directors
The Chairman – Rodolfo De Benedetti

REPORT ON OPERATIONS

Shareholders,

The Cofide Group closed 2018 with a consolidated profit of € 4.5 million, compared with the previous year's consolidated loss of € 3.0 million.

The consolidated results are the net of the profit made by the subsidiary CIR of € 7.3 million (loss of € 3.3 million in 2017) and the loss recognised by the Parent Cofide of € 2.8 million (profit of € 0.3 million in 2017).

The subsidiary CIR closed 2018 with a consolidated profit of € 12.9 million, compared with the previous year's consolidated loss of € 5.9 million.

As in 2017, when the CIR Group's net result was affected by the non-recurring charge incurred by GEDI to settle a tax dispute for matter dating back to 1991, non-recurring charges were again recorded by GEDI in 2018, due to organisational restructuring and impairment losses on titles and equity investments following impairment tests. Without these, CIR's consolidated profit would have been € 33.7 million and Cofide's profit € 16.2 million.

2018 featured very positive development on the part of KOS, which posted a double-digit increase in turnover and a favourable trend in profitability; SOGEFI, with a business that is growing, but in an uncertain market, was affected by the negative impact of exchange rates and the rising cost of raw materials; lastly, the parent's net financial income was lower than in 2017, the year when gains were made from the sale of non-strategic assets.

In a world market that recorded a 1% decrease in vehicle production, with the fourth quarter at -5.4%, SOGEFI achieved revenue growth at constant exchange rates of 3.2%, thanks to the North-American and Asian markets. Gross operating profit, amounting to € 190.0 million, decreased compared with 2017 (€ 206.9 million) due to the negative exchange rate effect and the increase in the price of steel, which had an unfavourable impact on the gross operating profit of the Suspensions business unit. Profit for the year came to € 14.0 million (€ 26.6 million in 2017).

GEDI, whose main sector of activity, daily newspapers, continues to be affected by a steady decline in the market, posted revenue up 5.3% thanks to integration with ITEDI (-5.9% on a comparable basis); gross operating profit amounted to € 33.1 million, after restructuring charges of € 19 million; the group reported a loss of € 32.2 million, including a total negative balance, net of taxes, of non-recurring charges and income of € 45.5 million.

KOS achieved a 11.1% increase in revenue, thanks to the organic growth in all of its activities and the fact that all of the acquisitions made during 2017 contributed for the entire period. Gross operating profit increased by 16% from € 87.8 million in 2017 to € 101.8 million, and profit for the year rose from € 29.0 million to € 35.2 million.

At 31 December 2018, Cofide's net financial indebtedness was € 25.9 million (€ 31.1 million at 31 December 2017). The increase is mainly due to the outlay for the purchase of treasury shares of € 2.5 million, whereas the decrease derives from the collection of dividends, net of those paid, for € 9.8 million.

Consolidated equity attributable to the Cofide Group at 31 December 2018 came to € 515.8 million, compared with € 521.2 million at 31 December 2017. The increase is essentially due to the profit for the year, while the decrease to the distribution of dividends and the purchase of treasury shares.

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, diagnostics and hospital management).

In order to provide further information on the financial performance of the COFIDE group in 2018, the income statement and statement of financial position include a breakdown of the contribution made by the subsidiaries to COFIDE's profit for the year.

The **income statement** is as follows:

<i>(in millions of euro)</i>	2018	2017
Contributions of investments in subsidiaries:		
- CIR S.p.A.	7.3	(3.3)
TOTAL CONTRIBUTIONS	7.3	(3.3)
Net gains (losses) on trading and measurement of securities	(0.8)	2.7
Net financial expense	(0.9)	(0.9)
Net operating costs	(1.4)	(1.4)
PROFIT (LOSS) BEFORE TAXES	4.2	(2.9)
Income taxes	0.3	(0.1)
PROFIT (LOSS) FOR THE YEAR	4.5	(3.0)

The **statement of financial position** at 31 December 2018 shows equity of € 515.8 million, net financial indebtedness of the parent of € 25.9 million and non-current financial assets of € 542.2 million.

<i>(in millions of euro)</i>	31.12.2018	31.12.2017
CIR S.p.A.	528.7	532.8
NON-CURRENT INVESTMENTS	528.7	532.8
Other non-current financial assets	13.5	20.7
TOTAL NON-CURRENT FINANCIAL ASSETS	542.2	553.5
Property, plant and equipment	1.1	1.2
Net current liabilities	(1.6)	(2.4)
NET INVESTED CAPITAL	541.7	552.3
Financed by:		
Equity	515.8	521.2
Net financial indebtedness	(25.9)	(31.1)

The "Other non-current financial assets" of € 13.5 million consist mainly of COFIDE's investment in the Jargonnant real estate fund for € 1.8 million, the investment in the Three Hills Decalia fund, which invests in small/medium-sized European companies, for € 8.5 million, and other non-strategic investments for a total of € 3.2 million. The decrease of € 7.2 million compared with 31 December 2017 is due to the sale of a non-strategic investment for € 8.6 million and repayments of capital of the Jargonnant fund for a total of € 1.8 million, whereas the increase consists of further investments of € 1.9 million in the Three Hills Decalia fund and € 1.3 million in non-strategic investments. In application of IFRS 9, the proceeds realised in 2018 on the disposal of assets held in portfolio at 31 December 2017, € 7.5 million, have not been recognised in the profit for the year, but classified in equity.

1. Performance of the Group

Consolidated **revenue** for 2018 amounted to € 2,817.4 million compared with € 2,754.2 million in 2017, an increase of 2.3% (5.2% at constant exchange rates), due to the growth in KOS's revenue, mainly because of the acquisitions made in the previous year, and that of GEDI, thanks to the merger of the ITEDI group. Sogefi saw a 1.5% decrease in revenue, though it was up by 3.2% at constant exchange rates. Revenue generated abroad represents 55.5% of the total, taking Sogefi's international presence into consideration.

Consolidated revenue can be analysed as follows:

<i>(in millions of euro)</i>	2018	%	2017 (*)	%	Change (+/-)	%
Automotive components						
Sogefi Group	1,623.8	57.6	1,647.8	59.8	(24.0)	(1.5)
Media						
GEDI Gruppo Editoriale	648.7	23.0	615.8	22.4	32.9	5.3
Healthcare						
KOS Group	544.9	19.4	490.6	17.8	54.3	11.1
Total consolidated revenue	2,817.4	100.0	2,754.2	100.0	63.2	2.3
of which: ITALY	1,254.6	44.5	1,192.0	43.3	62.6	5.2
OTHER COUNTRIES	1,562.8	55.5	1,562.2	56.7	0.8	0.1

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

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

<i>(in millions of euro)</i>	2018	%	2017 (*)	%
Revenue	2,817.4	100.0	2,754.2	100.0
Gross operating profit (1)	304.7	10.8	329.6	12.0
Operating profit	100.3	3.6	152.8	5.5
Net financial expense (2)	(50.5)	(1.8)	(22.7)	(0.8)
Income taxes	(32.3)	(1.2)	(181.1)	(6.6)
Profit (loss) from discontinued operations	--	--	7.6	0.3
Profit (loss) including non-controlling interests	17.5	0.6	(43.4)	(1.6)
Non-controlling interests	(13.0)	(0.4)	40.4	1.5
Profit (loss) attributable to the owners of the Parent	4.5	0.2	(3.0)	(0.1)

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

1) This is the sum of "Operating profit" and "Amortisation, depreciation & impairment losses" 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 investments" and "fair value gains (losses) on financial assets" in the income statement.

Consolidated gross operating profit in 2018 came to € 304.7 million (10.8% of revenue) compared with € 329.6 million in 2017 (12% of revenue) a decrease of € 24.9 million (-7.5%).

Consolidated operating profit in 2018 came to € 100.3 million compared with € 152.8 million in 2017; the reduction mainly reflects the evolution of gross operating profit and the impairment losses on GEDI's titles.

Net financial expense came to € 50.5 million compared with € 22.7 million in 2017, due to a significant reduction in gains from trading securities and hefty fair value losses; in detail:

- net financial expense fell to € 44.4 million compared with € 49.8 million in 2017;
- net gains on trading of securities amounted to € 13.6 million, compared with € 26.2 million in 2018, the year in which non-strategic investments were sold, realising capital gains of € 10.4 million (€ 2.6 million in 2018);
- fair value losses on financial assets were € 23.2 million, compared with € -4.0 million in 2017, and include, among other things, the impairment loss on GEDI's investment in Persidera;
- fair value gains on equity-accounted investments amounted to € 0.7 million compared with a loss of € 0.5 million in 2017.

Income taxes amounted to € 32.3 million (€ 181.1 million in 2017, due to GEDI's non-recurring tax charge of € 154.5 million).

Consolidated profit was € 4.5 million compared with a loss of € 3.0 million in the previous year.

The **condensed consolidated statement of financial position of the COFIDE Group** at 31 December 2018, with comparative figures at 31 December 2017, is as follows.

<i>(in millions of euro)</i>		31.12.2018	31.12.2017 (*)
Non-current assets (1)		2,103.6	2,112.9
Other net non-current liabilities (2)		(181.6)	(210.0)
Net working capital (3)		(163.0)	(129.7)
Net invested capital		1,759.0	1,773.2
Net financial indebtedness (4)		(323.0)	(303.6)
Total equity		1,436.0	1,469.6
Equity attributable to the owners of the parent		515.8	521.2
Non-controlling interests		920.2	948.4

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

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

Net invested capital at 31 December 2018 came to € 1,759.0 million versus € 1,773.2 million at 31 December 2017.

The **net financial indebtedness** at 31 December 2018 amounted to € 323.0 million (compared with € 303.6 million at 31 December 2017) caused by:

- indebtedness of € 25.9 million for the Parent COFIDE compared with € 31.1 million at 31 December 2017;
- free cash flow for CIR and its non-industrial subsidiaries of € 325.5 million (€ 343.0 million at 31 December 2017); in 2018, operating cash flow was positive for € 20.0 million, dividends were distributed for € 24.8 million and treasury shares were purchased for € 12.7 million;
- total net indebtedness of the industrial subsidiaries of € 622.6 million (€ 615.5 million at 31 December 2017); the indebtedness of the KOS group recorded an increase of € 22.3 million (after investments in acquisitions for € 20.9 million and dividends distributed of € 29.7 million), GEDI's indebtedness decreased by € 11.9 million (despite the payment of the last tranche of the non-recurring tax charge for € 35 million) and that of Sogefi by € 3.5 million (after the investment of € 16.7 million in the purchase of a non-controlling interest in the Indian subsidiary that produces filters).

Total equity at 31 December 2018 came to € 1,436.0 million compared with € 1,469.6 million at 31 December 2017, a net decrease of € 33.6 million.

Equity attributable to the owners of the Parent at 31 December 2018 amounted to € 515.8 million compared with € 521.2 million at 31 December 2017, a net decrease of € 5.4 million. The change is essentially due to the increase in the profit for the year (€ 4.5 million), and the decrease following the distribution of dividends (€ 9.8 million) and the purchase of treasury shares (€ 2.5 million).

Equity attributable to non-controlling interests at 31 December 2018 amounted to € 920.2 million compared with € 948.4 million at 31 December 2017, a net reduction of € 28.2 million.

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

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

<i>(in millions of euro)</i>	2018	2017
SOURCES OF FUNDS		
Profit (loss) from continuing operations	17.5	(51.0)
Amortisation, depreciation, impairment losses & other non-monetary changes	204.6	129.7
Self-financing	222.1	78.7
Change in working capital and other non-current assets and liabilities	10.7	44.1
CASH FLOW GENERATED BY OPERATIONS	232.8	122.8
Capital increases	0.9	1.5
TOTAL SOURCES OF FUNDS	233.7	124.3
APPLICATION OF FUNDS		
Net investment in non-current assets	(184.0)	(166.1)
Consideration paid for business combinations	(21.5)	(43.9)
Net financial position (indebtedness) of acquired companies	0.6	(6.8)
Purchase of treasury shares	(15.0)	(25.3)
Payment of dividends	(33.2)	(29.9)
Other changes	--	(0.4)
TOTAL APPLICATION OF FUNDS	(253.1)	(272.4)
CASH FLOWS USED IN CONTINUING OPERATIONS	(19.4)	(148.1)
CASH FLOWS FROM DISCONTINUED OPERATIONS	--	11.4
CASH FLOWS FOR THE YEAR	(19.4)	(136.7)
OPENING NET FINANCIAL INDEBTEDNESS	(303.6)	(166.9)
CLOSING NET FINANCIAL INDEBTEDNESS	(323.0)	(303.6)

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

In 2018 the Group recognised cash outflows of € 19.4 million (cash outflows of € 136.7 million in 2017) resulting from sources of funds for € 233.7 million and application of funds for € 253.1 million.

Application of funds includes the payment of dividends totalling € 33.2 million, the purchase of treasury shares for € 15.0 million, application of funds in business combinations (net of the financial position of acquired companies) for a total of € 20.9 million, relating to the KOS Group, and net investments in non-current assets for € 184.0 million, mainly related to the Sogefi and KOS groups.

At 31 December 2018 the COFIDE Group had 16,365 employees, compared with 15,839 at 31 December 2017.

2. Performance of the Parent

The Parent Cofide S.p.A. closed 2018 with a profit of € 11.1 million, compared with a profit of € 14.2 million in 2017.

The **condensed income statement** of Cofide S.p.A. for 2018, compared with that of 2017, is as follows:

<i>(in millions of euro)</i>		2018	2017
Net operating costs	(1)	(0.8)	(0.9)
Other operating costs, amortisation and depreciation	(2)	(0.6)	(0.5)
Net financial income	(3)	12.1	15.7
Profit before taxes		10.7	14.3
Income taxes		0.4	(0.1)
Profit for the year		11.1	14.2

- 1) This item is the sum of "sundry revenue and income", "costs for the purchase of goods", "cost 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 impairment losses" in the income statement of the Parent 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 "fair value gains (losses) on financial assets" in the income statement of the Parent Cofide S.p.A..

Net financial income totalled € 12.1 million (compared with € 15.7 million in the previous year) and is due to the dividends of the subsidiary CIR for 13.8 million, gains from trading securities of € 0.1 million, fair value gains (losses) on financial assets of € 0.9 million and financial expense of € 0.9 million.

The **condensed statement of financial position** of Cofide S.p.A. at 31 December 2018, compared with 31 December 2017, is reported below:

<i>(in millions of euro)</i>		31.12.2018	31.12.2017
Non-current assets	(1)	575.0	575.0
Other net non-current assets	(2)	13.4	20.2
Net working capital	(3)	(1.5)	(1.9)
Net invested capital		586.9	593.3
Net financial position	(4)	(25.9)	(31.1)
Equity		561.0	562.2

- 1) This item is the sum of "intangible assets", "property, plant and equipment", "investment property" and "equity investments" in the statement of financial position of Cofide S.p.A.
- 2) This item is the sum of "other financial 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., the Parent..
- 3) This item is the sum of "other assets" in current assets and "trade payables" and "other liabilities" in current liabilities in the statement of financial position of Cofide S.p.A..
- 4) This item is the sum of "securities" and "cash and cash equivalents" under current assets and of "other loans and borrowings" under non-current liabilities and of "other loans and borrowings" under current liabilities in the statement of financial position of Cofide S.p.A., the Parent..

At 31 December 2018, Cofide's net financial indebtedness was € 25.9 million (€ 31.1 million at 31 December 2017).

Equity at 31 December 2018 came to € 561.0 million, compared with € 562.2 million at 31 December 2017. The rise in equity is due to the result for the year of € 11.1 million, whereas the decrease arises from the distribution of dividends for € 9.8 million and from the purchase of treasury shares for € 2.5 million.

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

The following is a reconciliation between the net result and equity attributable to the owners of the Parent with the Parent's figures.

<i>(in thousands of euro)</i>	Equity 31.12.2018	Profit 2018
Separate financial statements of Cofide S.p.A. (Parent)	560,983	11,079
Elimination of the carrying amount of consolidated equity investments	(573,821)	--
Recognition of equity and profit (loss) for the year of investments in subsidiaries	528,649	7,279
Goodwill	--	--
Dividends from consolidated companies	--	(13,823)
Derecognition of fair value gains (losses) on consolidated equity investments	--	--
Other consolidation adjustments	--	--
Consolidated financial statements (share attributable to the owners of the Parent)	515,811	4,535

Main equity investments
at 31 December 2018



BUSINESSES	SOGEFI	GEDI GRUPPO EDITORIALE	KOS	Non-core investments
	Global supplier of auto parts (filtration systems, air management and engine cooling systems and suspension components)	All communication areas: daily newspapers and periodicals, radio, internet and advertising sales	Residential care homes for the elderly, rehabilitation centres, diagnostics, cancer cure and hospital management	<ul style="list-style-type: none"> Private Equity

(*) Percentage calculated net of treasury shares.

4. Performance of the subsidiaries

CIR GROUP - In 2018 the CIR group achieved a consolidated profit of € 12.9 million compared with a loss of € 5.9 million in 2017.

The following is a summary of the contribution to the consolidated profit or loss and equity, broken down by business segment:

<i>(in millions of euro)</i>	2018	2017
CONTRIBUTIONS TO THE NET OR LOSS FOR THE YEAR		
Sogefi Group	8.0	15.1
GEDI Group	(14.7)	(56.4)
KOS Group	20.9	17.3
Total for main subsidiaries	14.2	(24.0)
Other subsidiaries	(0.1)	(0.3)
CIR and other non-industrial subsidiaries	(1.2)	18.4
Profit (loss) attributable to the owners of the Parent CIR	12.9	(5.9)

The contribution made to the consolidated profit or loss by the industrial subsidiaries came to € +14.2 million, versus € -24.0 million last year.

Consolidated equity at 31 December 2017 went from € 961.0 million to € 936.2 million at 31 December 2018, a decrease of € 24.8 million. The change is essentially due to the profit for the year, the distribution of dividends and the purchase of treasury shares.

<i>(in millions of euro)</i>	31.12.2018	31.12.2017
CONTRIBUTIONS TO EQUITY		
Sogefi Group	109.5	100.8
GEDI Group	239.2	254.8
KOS Group	173.5	170.9
Other subsidiaries	0.8	0.9
Total industrial subsidiaries	523.0	527.4
CIR and other non-industrial subsidiaries	413.2	433.6
- invested capital	87.7	90.6
- net financial position	325.5	343.0
Equity of the CIR group	936.2	961.0

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

▶ AUTOMOTIVE COMPONENTS

In 2018 the world automotive **market** saw a 1% drop in production, with a 2% drop in Europe, 0.6% in North America and 2.3% in Asia, while South America turned in growth of 3.2%. The trend was particularly critical during the fourth quarter, with a 5.4% reduction in volumes compared with the corresponding period of 2017, due to the decline in Europe, South America and Asia, following the reversal of the Chinese market trend.

In this context, in 2018 Sogefi recorded **revenue** of € 1,623.8 million, down 1.5% at current exchange rates and up 3.2% at constant exchange rates. In the fourth quarter, revenue by 0.4%, increasing by 3.1% at constant exchange rates and thus recording a better performance on the market.

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

<i>(in millions of euro)</i>	2018		2017		Change %
	Amounts	%	Amounts	%	
Suspension	602.6	37.1	609.4	37.0	(1.1)
Filtration	537.2	33.1	546.4	33.1	(1.7)
Air and Cooling	486.6	30.0	496.2	30.1	(1.9)
Intercompany eliminations	(2.6)	(0.2)	(4.2)	(0.2)	n.s.
TOTAL	1,623.8	100.0	1,647.8	100.0	(1.5)

At constant exchange rates, revenue decreased in Europe (-1.4%) and grew in North America (+5.7%), Asia (+4.8%) and South America (+28% and +18.5% based on constant accounting criteria, i.e., without considering the impact on of the application of IAS29 (so called hyperinflation) on the Argentine business.

The three divisions recorded declines in revenue of between 1% and 2%; at constant exchange rates, revenue of the *Suspensions* and *Filtration* business units grew (+4.5% and +4.1%), while that of the *Air and Cooling* business unit remained substantially stable.

Gross operating profit amounted to € 190.0 million, a decrease compared with 2017 (€ 206.9 million), with profitability (gross operating profit/revenue) down from 12.6% to 11.7%. The reduction in gross operating profit reflects in particular the performance of the Suspensions Business Unit, significantly penalised by the price of steel, as well as the negative effect of exchange rates (€ 6.2 million), which applies to the entire group.

Operating profit amounted to € 61.9 million and recorded a decrease compared with 2017 (€ 85.8 million), which substantially reflects the decline in gross operating profit. In terms of non-recurring items, operating profit was positively affected by prior year income generated by the agreement on claims concluded by Sogefi Air & Cooling S.A.S. (€ 6.6 million) and negatively by the impairment of assets relating to the Fraize site in view of its sale (- € 5.2 million) and the application of IAS 29 to the Argentine business (- € 2.6 million).

Financial expense amounted to € 23.9 million, compared with € 31.7 million in 2017, due to the decrease in interest expense (from € 22.0 million in 2017 to € 21.4 million in 2018), the lower impact of the fair value adjustment to the put option of the non-controlling interest minority shareholder of the Indian subsidiary (€ 4.3 million) and to lower costs of interest rate hedges (€ 3.0 million).

Income taxes amounted to € 20.7 million, compared with € 23.4 million in the previous year; the modest decline compared with the reduction in the profit before taxes reflects the composition of

the result, with areas recognising significant profit and others where it was decided not to set aside deferred tax assets against losses linked to the start-up of the business or to persistent critical issues.

The **profit** was € 14.0 million versus € 26.6 million in 2017.

At 31 December 2018, **net financial indebtedness** was € 260.5 million (€ 264 million at 31 December 2017). Free cash flow for 2018 was positive for € 2.9 million, lower than the € 34.4 million of 2017. The minority interest in the Indian subsidiary Sogefi M.N.R. Engine Systems India Pvt Ltd (€ 16.7 million) was purchased in 2018. In the fourth quarter, free cash flow was positive for around € 25.7 million (compared with € 1.9 million in the fourth quarter of 2017), thus recovering the temporarily unfavourable trend in working capital seen in the third quarter.

At 31 December 2018, equity, excluding non-controlling interests, came to € 192.9 million (€ 177.4 million at 31 December 2017).

The Sogefi Group had 6,973 employees at 31 December 2018, in line with 31 December 2017.

As regards **the outlook for operations**, based on the sources normally used at a sector level, it is expected that car production in 2019 will be in line with 2018, with a drop in the first half, mainly because of China, and a recovery in the second half. However, it is worth emphasising that there is very low visibility for how the situation will develop over the entire year, not to mention the fact that there is a high level of volatility in the markets. The trend in raw material prices remains uncertain. In this context, Sogefi expects revenue to evolve in line with the market and is committed to boosting profitability, particularly in the Suspensions sector.

► MEDIA

As regards the general trend in the **market**, advertising investments in 2018 showed substantial stability (-0.2%) compared with the previous year (Nielsen Media Research figures). All the main media, with the exception of the press, recorded a positive trend: radio posted an increase of 5.5%, confirming the positive trend that has been going on since 2015, while internet, excluding search engines and social media, achieved an increase of 4.5% and TV one of 0.6%. On the other hand, press advertising again suffered a drop of 7.0%, with newspapers at -6.2% (-4.9% in national revenue and -7.4% in local revenue) and magazines at -8.2%. As for newspaper circulation in 2018, according to the figures published by ADS (Accertamento Diffusione Stampa), news-stand and subscription sales fell by 7.4% (-8.3% national newspapers and -6.8% local newspapers). The overall circulation of newspapers, including digital copies, was down by -5.7%.

For the purposes of correct comparability with the figures of the previous year, it should be remembered that the integration of the ITEDI group, publisher of the newspapers *La Stampa* and *il Secolo XIX*, with GEDI was completed on 27 June 2017. As a result of this transaction, GEDI acquired control of the ITEDI Group, which entered the scope of consolidation from 30 June 2017; so the GEDI group's income statement for 2017 includes the ITEDI group from 1 July 2017. The change from 2017 on a like for like basis is also reported for the key economic indicators reported below.

In 2018 the GEDI group achieved consolidated **revenue** amounting to € 648.7 million, up 5.3% (-5.9% on the same scope); the breakdown of group revenue is shown below.

<i>(in millions of euro)</i>	2018		2017		Change %
	Amounts	%	Amounts	%	
Circulation	284.6	43.9	262.7	42.7	8.3
Advertising	318.0	49.0	303.1	49.2	4.9
Add-ons and miscellaneous	46.2	7.1	50.0	8.1	(7.6)
TOTAL	648.7	100.0	615.8	100.0	5.3

Circulation revenue amounted to € 284.6 million, an increase of 8.3% compared with the previous year and a decrease of 8.1% on a comparable basis, in a market that, as explained above, is continuing to see a significant reduction in the circulation of daily newspapers.

Advertising revenue, € 318.0 million, grew by 4.9% on 2017, a decrease of 2.9% on a comparable basis.

As regards the group's media, radio revenue grew by 5.5%, confirming the positive trend observed in the previous year. Internet revenue rose by 11.0% (+3.1% on a comparable basis). Lastly, publishing revenue increased by 3.2% (-8.1% on a comparable basis). Revenue from digital activities represents 12.2% of consolidated revenue and, at the end of 2018, the digital products of the various newspapers of the group had more than 113 thousand subscribers.

Gross operating profit amounted to € 33.1 million (€ 52.8 million in 2017), including restructuring charges and other non-recurring items of € 18.7 million. Net of these effects, adjusted gross operating profit came to € 51.7 million versus € 57.4 million in 2017.

There was an **operating loss** of € 11.1 million, compared with an operating profit of € 28.2 million in 2017; in addition to the restructuring charges mentioned above, it also includes impairment losses of € 1.3 million of printing plants (€ 8.3 million in 2017) and € 24.2 million of goodwill of titles carried out after impairment testing. Net of these components, adjusted operating profit amounts to € 33.1 million and compares with € 41.1 million in 2017.

In addition, in 2018, the investment in Persidera was written down by € 11.2 million based on the results of an impairment test.

The profit from discontinued operations in 2017 included € 8.2 million as consideration for the sale of All Music to Discovery in January 2015. This amount was recognised in accordance with the reference accounting standards as the result of fulfilling the contractual conditions for recognition of the "earn-out" in January 2018.

The consolidated loss of € 32.2 million includes net non-recurring charges of € 45.5 million, net of taxes.

Net financial indebtedness at 31 December 2018 amounted to € 103.2 million, an improvement compared with € 115.1 million at the end of 2017. On 2 July 2018 the Company paid € 35.1 million for the last tranche of the tax settlement mentioned above.

The Group had 2,359 employees at the end of 2018 and the average number of employees of the period on a comparable basis was 2.5% lower than 2017.

As regards the performance for the initial part of 2019, the evidence to date does not allow us to foresee market developments significantly different from those in 2018.

In this context, the group will continue in its efforts to implement rationalisations aimed at preserving profitability in a structurally difficult market, to achieve further benefits from the merger with the ITEDI group, and to strengthen its leadership in digital activities.

► 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.

The new Budget Law for 2019 has confirmed the financing for the NHS at € 114.4 billion, as indicated in the previous year's estimates, without any reductions. For 2020 and 2021, the increase in funding of € 2 billion and € 1.5 billion respectively, compared with the previous year, is subject to signing an agreement in the State-Regions Conference for the 2019-2021 Health Pact.

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 currently manages 86 facilities, mainly in central and northern Italy, for a total of 8,157 beds in use, operating in the following areas:

- 1) *Long Term Care*: operating in the management of residential care homes for the elderly mainly under the *Anni Azzurri* brand for a total of 5,614 beds in use and in the management of functional and psychiatric rehabilitation facilities, psychiatric treatment communities and outpatient, mainly under the *Santo Stefano* (rehabilitation) and *Neomesia* (psychiatry) brands, for a total of 2,420 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 16 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 2018, KOS's consolidated **revenue** rose by 11.1% to € 544.9 million; a breakdown by areas of activity is provided below.

(in millions of euro)	2018		2017		Change %
	Amounts	%	Amounts	%	
Long Term Care	438.9	80.6	398.7	81.3	10.1
Diagnostics and Cancer Cure	69.9	12.8	55.1	11.2	26.9
Acute	36.1	6.6	36.8	7.5	(1.9)
TOTAL	544.9	100.0	490.6	100.0	11.1

The *Long Term Care* segment recorded an increase thanks to the positive evolution of the activity on a comparable basis and to the full contribution of the acquisitions made in 2017 and 2018;

the *Diagnostics and Cancer Cure* and *Acute* segment grew thanks to new services and the full contribution of Ecomedica, which was acquired in July 2017.

Consolidated **gross operating profit** amounted to € 101.8 million, up 15.9% compared with € 87.8 million in 2017.

Consolidated **operating profit** amounted to € 66.3 million compared with € 53.8 million the previous year.

Consolidated **profit for the year** came in at € 35.2 million, 21.4% up on € 29.0 million of last year.

At 31 December 2018 the KOS group had **net financial indebtedness** of € 259.4 million, compared with € 237.1 million at 31 December 2017, after the acquisitions made during the year (€ 20.9 million) and the distribution of dividends for € 29.7 million.

During 2018, the following companies were acquired: Ideas S.r.l., which 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; Casa di Cura S. Alessandro S.r.l., a company that manages a structure in Rome with 60 beds currently authorised for psychiatric rehabilitation activities; Ippofin S.r.l., a company that manages a social care and residential healthcare facility in Emilia Romagna with 70 beds and a psychiatric community for elderly patients with 33 beds; Villa dei Pini s.r.l. which manages a facility in Florence with 75 beds, currently authorised for psychiatric rehabilitation activities.

At 31 December 2018 consolidated equity amounted to € 291.4 million versus € 287.0 million at 31 December 2017.

The Group had 7,006 employees at 31 December 2018 compared with 6,421 at 31 December 2017.

As regards the business outlook, in 2019 KOS expects a marginal increase in revenue and margins with regard to the current 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-controlling interests and other investments amounting to € 72.5 million at 31 December 2018, compared with € 74.0 million at 31 December 2017.

Private Equity

CIR International S.A., a Group company, manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 31 December 2018, based on the NAVs provided by the corresponding funds, came to € 46 million, a decrease of € 7 million compared with 31 December 2017. In 2018, net financial profit, net of fees, exchange differences and fair value adjustments, was € 5.2 million. Outstanding commitments at 31 December 2018 amounted to € 12.7 million.

Other investments

At 31 December 2018, CIR directly and indirectly held interests in non-strategic investments for a total of € 16.5 million (compared with € 9.9 million at 31 December 2017) and a non-performing loan portfolio for a total of € 10.0 million.

5. Outlook

As regards COFIDE Group's performance in 2019, it will mainly depend on the sectors in which its strategic investments operate.

In particular, with regard to SOGEFI, sector sources foresee a market in line with 2018, with a decline in production in the first half-year and a recovery in the second half. However, it is worth emphasising that there is very low visibility for how the situation will develop over the entire year, not to mention the fact that there is a high level of volatility in the markets. The trend in raw material prices remains uncertain. In this context, Sogefi expects revenue in line with the general trend in the market and is committed to boosting profitability, particularly in the Suspensions sector.

As regards GEDI, the evidence to date does not allow us to foresee market developments significantly different from those in 2018. In this context, the group will continue in its efforts to implement rationalisations aimed at preserving profitability in a structurally difficult market, to achieve further benefits from the merger with the ITEDI group, and to strengthen its leadership in digital activities.

During 2019, KOS expects a marginal increase in revenue and margins as regards the current scope and will continue its development activity, particularly in Italy, both for external lines (acquisitions) and internal ones (green field development projects).

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 and/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 segments 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 regulatory and reference framework

Some Group companies carry on their activities in segments regulated by European, national and regional laws and regulations. It cannot be ruled out that the regulatory provisions, which will be issued from time to time by the European Union, the Italian Republic, the regions in which the companies of the Group operate, could have a significant impact on the Group's results and financial situation.

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 comes - 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 2018 the Parent held 24,164,055 treasury shares (3.36% of share capital). See the note on equity for further information about treasury shares.

Intercompany and related party transactions

On 28 October 2010, the Company adopted the Procedure 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.

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 of COFIDE S.p.A., its subsidiaries, also joint ventures, and its 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 the subsidiary CIR S.p.A. consisted of 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 specific knowledge of the Group's business activities.

It should also be noted that COFIDE S.p.A. has entered into a lease 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. For an analysis of such relationships, reference should be made to the notes to the financial statements.

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 "2018 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 2018.

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 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 by-laws 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 and financial figures needed to prepare the consolidated financial statements. Furthermore, as regards the fact that the Company is subject to management control and coordination by its Parent Fratelli De Benedetti S.p.A., the Company has fulfilled all the disclosure requirements of Article 2497-bis of the Italian Civil Code.

It also has the power to negotiate independently with customers and suppliers, it has no centralised treasury function in common with Fratelli De Benedetti S.p.A. and out of a total of 9 members, the Board of Directors has 5 who meet the independence requirements and are therefore sufficient to guarantee that their judgement has a significant weight in the Board's decision-making process. Lastly, it should be noted that Group companies have complied with the provisions of art. 2497-bis of the Italian Civil Code.

Consolidated non-financial report (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 report for 2018, 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).

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.

Research and development

Research and development at Group level in 2018 was concentrated principally in the components sector. In the Sogefi Group, R&D expenditure for the year amounted to € 97.3 million (€ 104.1 million in the previous year), mainly focused on increasing production capacity, industrialising new products and improving industrial processes and productivity.

Significant events after the reporting date

After the end of the year, GEDI received a non-binding offer (indirectly through the other shareholder TIM S.p.A.) for the purchase of Persidera S.p.A., of which it own 30%. The bidder was granted an exclusive period during which to carry out the assessments needed to make a binding offer. In consideration of the above, there are currently no elements, also in the absence of a binding offer, to consider the sale of the investment highly probable in the short term.

On 11 March the Boards of Directors of CIR-Compagnie Industriali Riunite S.p.A. and COFIDE S.p.A. examined and approved the plan for the merger of the subsidiary CIR into the parent COFIDE.

The Merger aims to achieve the following main objectives:

- to shorten the chain of control with respect to the operating companies, placing itself in line with international best practice, as well as with market expectations and those of the regulatory authorities;
- to create a Company with a larger float, both in terms of percentage of capital and in absolute value, leading to greater ease in trading the shares and their attractiveness for investors;
- to reduce operating costs relating to the maintenance of two listed holding companies and simplify the shareholding structure and the corporate governance structure, generating synergies for the benefit of all shareholders as a result.

The income and equity profile of the merged entity will substantially reflect that of CIR, and in particular the Merger will not alter the net financial position, and therefore the investment capacity currently held by CIR, nor the management policy of the investment portfolio.

The exchange ratio has been set at 2.01 COFIDE shares for each CIR share.

The merger plan was prepared on the basis of the draft financial statements at 31 December 2018 of COFIDE and CIR, as approved by the respective Boards of Directors on the same date and used as a merger balance sheet for the purposes of art. 2501-quater of the Italian Civil Code.

To service the share exchange, COFIDE will increase its share capital by a maximum nominal amount of € 281,364,327 by issuing a maximum of 562,728,654 new ordinary shares with a nominal value of € 0.50 each, in application of the Exchange Ratio. Furthermore, in the context of the Merger, the CIR ordinary shares owned by COFIDE will be cancelled without exchange on the date of completion of the Merger, as will the treasury shares held by CIR on the same date.

The COFIDE shares that will be issued and assigned in exchange to the CIR shareholders will have the same dividend date as that of the COFIDE ordinary shares in circulation on the effective date of the Merger and will give their holders rights equivalent to those of the holders of ordinary shares of the merging company in circulation at the time of assignment.

The newly issued shares of the merging company assigned in exchange will be listed in the same way as the COFIDE ordinary shares already in circulation and they will be subject to centralised management by Monte Titoli S.p.A. under the paperless regime, in accordance with the law.

The Merger will take effect for statutory purposes from the date of the last registration with the Milan Companies Register prescribed by art. 2504-bis of the Italian Civil Code, or from a later date indicated in the merger deed. For accounting purposes, the transactions carried out by CIR will be recognised in the financial statements of COFIDE from 1 January of the year in which the statutory effects of the Merger take place. The effects for tax purposes will also run from the same date.

Completion of the Merger is subject to approval by the Extraordinary Shareholders' Meetings of the two Companies, and to the occurrence or the waiver, if allowed, of the following conditions:

- (i) completion of the trade union information and consultation procedure pursuant to art. 47 of Law 428 dated 29 December 1990, as amended;
- (ii) failure to receive, by the effective date of the Merger, communications from the Presidency of the Council of Ministers regarding the exercise of vetoes and/or findings and/or the affixing of conditions regarding the Merger, pursuant to Decree Law 21 of 15 March 2012, converted with Law 56 of 11 May 2012, on "Rules on special powers on corporate structures in the defence and national security sectors, as well as for activities of strategic importance in the energy, transport and communications sectors" and the related implementing provisions;
- (iii) issue by Borsa Italiana S.p.A. of admission to trading on the MTA of the ordinary shares of the merging Company issued to service the Merger;
- (iv) if required under the legislation in force at the time, issuance of the opinion of equivalence by the National Commission for the Company and the Stock Exchange pursuant to art. 57, paragraph 1, letter d) of the Regulation approved by Consob resolution 11971/99 (the "Issuers' Regulation") in relation to the information document that will be prepared by the Companies pursuant to art. 57 of the Issuers' Regulation;
- (v) non-occurrence, by the effective date of the Merger, of one or more events or circumstances that produce a negative effect on the activities, legal relationships, liabilities and/or operating results of the Companies to a significant extent and, in any case, such as to alter the risk profile or the valuations used to determine the Exchange Ratio;
- (vi) issuance of approval to the Merger under existing loan agreements by the lending banks of the Companies and of their respective subsidiaries.

COFIDE and CIR will present a joint petition to the Court of Milan for the appointment of an expert to issue a report on the fairness of the exchange ratio pursuant to article 2501-sexies of the Italian Civil Code.

It is envisaged that the Extraordinary Shareholders' Meetings for the approval of the Merger plan can be held by 30 June 2019, after publication of the information required by the regulations.

Any approval of the Merger resolution by the Shareholders' Meetings of the Companies will not give rise to any assumption of a right of withdrawal in favour of the respective shareholders, pursuant to art. 2437 of the Italian Civil Code or other legal provisions, given that both companies participating in the Merger act as holding companies for investments and interests in any economic-industrial sector with shares listed on a regulated market.

COFIDE and CIR are related parties, the former being the parent of the latter and both being directly and indirectly subject to the control of Fratelli De Benedetti S.p.A. It should also be noted that Fratelli De Benedetti S.p.A. exercises management control and coordination over COFIDE which, in turn, does the same for CIR. Lastly, please note that Messrs. Rodolfo, Marco and Edoardo De Benedetti are members of the Board of Directors of COFIDE and CIR and Rodolfo De Benedetti chairs both companies.

The Board of Directors of COFIDE has applied to the Merger, on a voluntary basis, the rules envisaged by the OPC Procedure in relation to transactions with related parties "of greater importance", even though they believe that the Merger falls within the scope of the exemption contained in art. 14 of Consob Regulation approved with resolution no. 17221 of 12 March 2010 and in art. 4.3 of the OPC Procedure, as it is being carried out with a subsidiary in which there are no significant interests of other related parties. The Operation was unanimously approved by the Board of Directors of COFIDE, subject to the favourable opinion of the Related Parties Committee.

The Board of Directors of CIR has applied to the Merger the rules envisaged by the OPC Procedure regarding transactions with related parties "of greater importance". The Operation was unanimously approved by the Board of Directors, subject to the favourable opinion of the Related Parties Committee.

COFIDE and CIR will make available to the public the information document required by article 5 of the Regulation on transactions with related parties adopted by Consob.

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 and a secondary office in Via Nervesa 21, Milan, Italy.

Cofide shares have been listed on the Milan Stock Exchange since 1985 (Reuters code: COFI.MI, Bloomberg code: COF IM, MTA segment).

This report for the year 2018 was approved by the Board of Directors on 11 March 2019.

COFIDE S.p.A. is subject to management control and coordination by F.lli De Benedetti S.p.A.

COFIDE GROUP

Consolidated financial statements at 31 December 2018

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of financial position

(in thousands of euro)

ASSETS	Notes	31/12/2018	31/12/2017 (**)
NON-CURRENT ASSETS		2,328,789	2,352,230
INTANGIBLE ASSETS	(7.a.)	1,139,840	1,156,202
PROPERTY, PLANT AND EQUIPMENT	(7.b.)	822,444	799,830
INVESTMENT PROPERTY	(7.c.)	18,677	19,434
EQUITY-ACCOUNTED INVESTMENTS	(7.d.)	110,179	125,181
OTHER EQUITY INVESTMENTS	(7.e.)	12,525	12,249
OTHER RECEIVABLES	(7.f.)	50,655	56,874
OTHER FINANCIAL ASSETS	(7.g.)	75,469	79,511
DEFERRED TAX ASSETS	(7.h.)	99,000	102,949
CURRENT ASSETS		1,218,476	1,294,304
INVENTORIES	(8.a.)	134,218	139,222
TRADE RECEIVABLES	(8.b.)	420,969	472,614
<i>of which with related parties (*)</i>	(8.b.)	690	1,677
OTHER RECEIVABLES	(8.c.)	79,283	105,207
<i>of which with related parties (*)</i>	(8.c.)	105	105
LOAN RECEIVABLE	(8.d.)	25,773	21,717
SECURITIES	(8.e.)	33,563	57,228
OTHER FINANCIAL ASSETS	(8.f.)	276,880	235,251
CASH AND CASH EQUIVALENTS	(8.g.)	247,790	263,065
ASSETS HELD FOR SALE	(8.h.)	13,599	3,418
TOTAL ASSETS		3,560,864	3,649,952
LIABILITIES		31/12/2018	31/12/2017 (**)
EQUITY		1,436,037	1,469,585
SHARE CAPITAL	(9.a.)	347,523	350,011
RESERVES	(9.b.)	51,490	76,349
RETAINED EARNINGS	(9.c.)	112,263	97,758
PROFIT (LOSS) FOR THE YEAR		4,535	(2,967)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		515,811	521,151
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		920,226	948,434
NON-CURRENT LIABILITIES		1,046,239	1,099,686
BONDS	(10.a.)	270,254	365,112
OTHER LOANS AND BORROWINGS	(10.b.)	365,004	281,863
OTHER PAYABLES		63,003	72,116
DEFERRED TAX LIABILITIES	(7.h.)	169,864	171,963
EMPLOYEE BENEFIT OBLIGATIONS	(10.c.)	135,091	139,735
PROVISIONS FOR RISKS AND CHARGES	(10.d.)	43,023	68,897
CURRENT LIABILITIES		1,069,224	1,080,681
BANK LOANS AND BORROWINGS	(8.g.)	13,046	17,551
BONDS	(11.a.)	113,801	20,168
OTHER LOANS AND BORROWINGS	(11.b.)	144,874	196,189
TRADE PAYABLES	(11.c.)	497,420	513,928
<i>of which with related parties (*)</i>	(11.c.)	2,238	1,830
OTHER PAYABLES	(11.d.)	212,706	261,601
PROVISIONS FOR RISKS AND CHARGES	(10.d.)	87,377	71,244
LIABILITIES HELD FOR SALE	(8.h.)	9,364	--
TOTAL LIABILITIES AND EQUITY		3,560,864	3,649,952

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

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

2. Income statement

(in thousands of euro)

	Notes	2018	2017 (**)
REVENUE	(12)	2,817,434	2,754,192
CHANGE IN INVENTORIES		(1,995)	(4,268)
COST FOR THE PURCHASE OF GOODS	(13.a.)	(1,004,032)	(980,475)
COST FOR SERVICES	(13.b.)	(679,498)	(656,550)
of which with related parties (*)	(13.b.)	(3,163)	(2,573)
PERSONNEL COSTS	(13.c.)	(787,016)	(732,661)
OTHER OPERATING INCOME	(13.d.)	40,237	30,907
of which with related parties (*)	(13.d.)	1,838	1,949
OTHER OPERATING EXPENSE	(13.e.)	(80,469)	(81,513)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES		(204,385)	(176,773)
OPERATING PROFIT		100,276	152,859
FINANCIAL INCOME	(14.a.)	8,800	9,594
of which with related parties (*)	(14.a.)	2	3
FINANCIAL EXPENSE	(14.b.)	(53,162)	(59,356)
DIVIDENDS		2,783	5,373
GAINS FROM TRADING SECURITIES	(14.c.)	14,621	26,391
LOSSES FROM TRADING SECURITIES	(14.d.)	(986)	(156)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS	(7.d.)	677	(524)
FAIR VALUE LOSSES ON FINANCIAL ASSETS	(14.e.)	(23,205)	(3,998)
PROFIT LOSS BEFORE TAXES		49,804	130,183
INCOME TAXES	(15)	(32,287)	(181,159)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		17,517	(50,976)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(16)	--	7,594
PROFIT (LOSS) FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		17,517	(43,382)
- PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(12,982)	40,415
- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT		4,535	(2,967)
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(17)	0.0065	(0.0042)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(17)	0.0065	(0.0042)

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

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

3. Statement of comprehensive income

(in thousands of euro)

	2018	2017 (*)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	17,517	(50,976)
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS		
- ACTUARIAL GAINS (LOSSES)	2,420	2,620
- TAX EFFECT OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	(570)	(800)
SUBTOTAL OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	1,850	1,820
ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
- EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	(10,687)	(23,541)
- NET FAIR VALUE GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	--	4,822
- NET FAIR VALUE GAINS (LOSSES) ON CASH FLOW HEDGES	2,004	4,159
- OTHER COMPREHENSIVE INCOME (EXPENSE)	--	(954)
- TAX EFFECT OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	(481)	(697)
SUBTOTAL OF ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	(9,164)	(16,211)
OTHER COMPREHENSIVE INCOME (EXPENSE)	(7,314)	(14,391)
COMPREHENSIVE INCOME (EXPENSE) FROM CONTINUING OPERATIONS	10,203	(65,367)
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	--	7,594
COMPREHENSIVE INCOME (EXPENSE)	10,203	(57,773)
COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:		
OWNERS OF THE PARENT	2,164	(4,065)
NON-CONTROLLING INTERESTS	8,039	(53,708)
BASIC COMPREHENSIVE INCOME (EXPENSE) PER SHARE (IN EURO)	0.0031	(0.0057)
DILUTED COMPREHENSIVE INCOME (EXPENSE) PER SHARE (IN EURO)	0.0031	(0.0057)

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

4. Statement of cash flows

(in thousands of euro)

	2018	2017 (*)
OPERATING ACTIVITIES		
PROFIT (LOSS) FROM CONTINUING OPERATIONS	17,517	(50,976)
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	204,385	176,773
FAIR VALUE GAINS ON EQUITY-ACCOUNTED INVESTMENTS	2,976	4,806
ACTUARIAL GAINS ON STOCK OPTION/STOCK GRANT PLANS	3,733	3,430
CHANGES IN EMPLOYEE BENEFIT OBLIGATIONS, PROV. FOR RISKS & CHARGES	(11,965)	(37,324)
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	23,205	3,998
LOSSES ON DISPOSAL OF NON-CURRENT ASSETS	(11,396)	(22,877)
INCREASE (DECREASE) IN NON-CURRENT ASSETS/LIABILITIES	(5,212)	2,074
DECREASE IN NET WORKING CAPITAL	15,952	42,476
CASH FLOWS FROM OPERATING ACTIVITIES	239,195	122,380
of which:		
- interest received (paid)	(32,747)	(32,945)
- income tax paid	(28,502)	(30,908)
INVESTING ACTIVITIES		
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(21,533)	(43,948)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	551	9,983
(PURCHASE) SALE OF SECURITIES	(24,259)	8,143
SALE OF NON-CURRENT ASSETS	10,278	14,223
PURCHASE OF NON-CURRENT ASSETS	(194,220)	(180,317)
CASH FLOWS USED IN INVESTING ACTIVITIES	(229,183)	(191,916)
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES	928	1,546
OTHER CHANGES IN EQUITY	22	(443)
CHANGE IN OTHER LOAN RECEIVABLE	(4,056)	(8,803)
DRAWDOWN (REPAYMENT) OF OTHER LOANS AND BORROWINGS	30,601	46,122
PURCHASE OF TREASURY SHARES OF GROUP COMPANIES	(15,043)	(25,421)
DIVIDENDS PAID	(33,234)	(29,860)
CASH FLOWS USED IN FINANCING ACTIVITIES	(20,782)	(16,859)
DECREASE IN NET CASH & CASH EQUIVALENTS OF CONTINUING OPERATIONS	(10,770)	(86,395)
OPENING CASH FLOWS/NET CASH & CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	--	11,417
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	245,514	320,492
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	234,744	245,514

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

5. Statement of Changes in Equity

	Attributable to owners of the Parent												Non-controlling interests	Total	
	Share capital issued	less treasury shares	Share capital	Share premium	Legal reserve	Fair value reserve	Translation reserve	Reserve for treasury shares	Other reserves	Retained earnings	Profit (Loss) for the year	Total			
(in thousands of euro)															
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)	--	--	--	
Equity transactions	--	(9,594)	(9,594)	--	--	--	--	9,594	(11,364)	--	--	(11,364)	--	(11,364)	
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	204	(51)	--	(13,252)	--	--	(13,099)	1,274	(11,825)	
<i>Comprehensive income for the year</i>															
Fair value gains (losses) 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 (losses) on securities released to profit and loss	--	--	--	--	--	(852)	--	--	--	--	--	(852)	(685)	(1,537)	
Effects of changes in equity attributable to 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)	
<i>Total comprehensive income (expense)</i>	--	--	--	--	--	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	
Adjustments on FTA of IFRS 15 net of tax	--	--	--	--	--	--	116	--	(3,628)	--	(1)	(3,513)	(7,675)	(11,188)	
BALANCE RESTATED AT 31 DECEMBER 2017	359,605	(9,594)	350,011	5,044	23,585	22,854	(11,819)	9,594	27,091	97,758	(2,967)	521,151	948,434	1,469,585	
Adjustments on FTA of IFRS 9 net of tax	--	--	--	--	--	(24,302)	(3,677)	--	(770)	27,979	--	(770)	(1,771)	(2,541)	
BALANCE RESTATED AT 1 JANUARY 2018	359,605	(9,594)	350,011	5,044	23,585	(1,448)	(15,496)	9,594	26,321	125,737	(2,967)	520,381	946,663	1,467,044	
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	928	928	
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	(9,800)	--	(9,800)	(23,434)	(33,234)	
Retained earnings	--	--	--	--	707	--	--	--	--	(3,674)	2,967	--	--	--	
Equity transactions	--	(2,488)	(2,488)	--	--	--	--	2,488	(2,477)	--	--	(2,477)	--	(2,477)	
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	(30)	(320)	--	5,893	--	--	5,543	(11,970)	(6,427)	
<i>Comprehensive income (expense) for the year</i>															
Fair value gains (losses) on cash flow hedges	--	--	--	--	--	490	--	--	--	--	--	490	1,033	1,523	
Effects of changes in equity attributable to subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Translation differences	--	--	--	--	--	--	(3,411)	--	--	--	--	(3,411)	(7,276)	(10,687)	
Actuarial gains	--	--	--	--	--	--	--	--	550	--	--	550	1,300	1,850	
Profit for the year	--	--	--	--	--	--	--	--	--	--	4,535	4,535	12,982	17,517	
<i>Total comprehensive income (expense)</i>	--	--	--	--	--	490	(3,411)	--	550	--	4,535	2,164	8,039	10,203	
BALANCE AT 31 DECEMBER 2018	359,605	(12,082)	347,523	5,044	24,292	(988)	(19,227)	12,082	30,287	112,263	4,535	515,811	920,226	1,436,037	

6. Notes to the consolidated financial statements

1. Basis of preparation

These consolidated financial statements have been prepared on a going concern basis 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 2018. Please refer to the section entitled "Adoption of new standards, interpretations and amendments" for an illustration of the new standards in force with effect from 1 January 2018.

The consolidated financial statements at 31 December 2018 include the Parent 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 separate financial statements or the consolidated financial statements of sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting policies listed below and, where compatible, with Italian regulations.

The presentation criteria adopted are as follows:

- the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;
- the income statement is shown by type of expenditure;
- the statement of comprehensive income shows the income 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.

It should be noted that the classification, form, order and nature of financial statement items have not changed with respect to the consolidated financial statements approved at 31 December 2017, with the exception of the portion of the deferred price of the loan portfolio sold as part of the securitisation of receivables for advertising sales recorded under "Assets and other financial assets", which was reclassified to "Financial payables" for € 17,269 thousand relating to the GEDI group.

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

The SOGEFI group's figures for 2018 have been recalculated following the application of IAS 29 - Financial reporting in hyperinflationary economies. In the last quarter of the year, IAS 29 was applied to the subsidiaries in Argentina, which resulted in a positive effect on revenue, but a negative effect in terms of the result. The adoption of IAS 29 requires that assets, liabilities and income statement items be restated to reflect changes in the general purchasing power and that they be converted into Euro at the year-end exchange rate of the period in question.

Publication of the consolidated financial statements was authorised by the Company's Board of Directors on 11 March 2019 (as required by paragraph 17 of IAS 10).

2. Basis of consolidation

2.a. Consolidation methods

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

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

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

Consolidation is on a line-by-line basis.

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

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

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 amount of the investments is eliminated against their equity and any positive difference identified at the time of the acquisition, net of any impairment measured using the impairment test; the corresponding share of the profit or loss for the year is posted to the income statement. If the Group's portion of the associate's accumulated losses exceeds the carrying amount 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.

For consolidation purposes, all of the financial statements of Group companies are prepared as of the same date and refer to a financial year of the same length, with the exception of IEPL – Institut d’Ecole Primaire Leman S.A. which closes its financial statements on 31 July and which therefore prepares a reporting package at 31 December for the purposes of the parent's consolidated financial statements.

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

The financial statements of subsidiaries operating in currencies other than the Euro 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 gains or losses arising on translation of 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:

	2018		2017	
	<i>Average exchange rate</i>	<i>31.12.2018</i>	<i>Average exchange rate</i>	<i>31.12.2017</i>
US dollar	1.1810	1.1450	1.1297	1.1993
Swiss franc	1.15496	1.1269	1.11167	1.17020
GB pound	0.8847	0.8945	0.8761	0.8872
Brazilian real	4.3087	4.4440	3.6041	3.9728
Argentine peso	32.9056	43.1593	18.7266	22.9305
Chinese renminbi	7.8076	7.8751	7.6266	7.8046
Indian rupee	80.7103	79.7298	73.4754	76.6284
New Romanian leu	4.6540	4.6635	4.5687	4.6585
Canadian dollar	1.5302	1.5605	1.4644	1.5039
Mexican peso	22.7169	22.4921	21.3265	23.6630
Moroccan dirham	11.0840	10.9390	10.9493	11.2360
Hong Kong dollar	9.2601	8.9675	8.8013	9.3721

IAS 29 - Financial reporting in hyperinflationary economies

The financial statements of the Argentine consolidated companies, within the Sogefi Group, were prepared at 31 December 2018 in the functional currency taking into account the effects of applying IAS 29 Financial reporting in hyperinflationary economies in order to represent the operating results and the balance sheet and financial position at current purchasing power at year end.

This IFRS does not establish an absolute value for the inflation rate, above which there is hyperinflation. The need to restate the figures in the financial statements, in accordance with the provisions of this IFRS, has to be evaluated. Situations that are indicative of hyperinflation include the following:

a) the community prefers to invest its wealth in non-monetary assets or in a relatively stable foreign currency. Local currency tends to be invested immediately to preserve purchasing power;

- b) the community considers monetary values not so much with respect to the local currency, but with respect to a relatively stable foreign currency. Prices may be expressed in this currency;
- c) sales and purchases on credit take place at prices that offset the expected losses in purchasing power during the deferral period, even if short;
- d) interest rates, salaries and prices are linked to a price index;
- e) the cumulative inflation rate over a three-year period approaches, or exceeds, 100%.

The financial statements of the Argentine consolidated companies were prepared taking into account IAS 29 as the cumulative rate of Argentine inflation over the last three years is approximately 120%.

The non-monetary figures in the statement of financial position have been restated by applying the change in the general price index that took place between the date of recognition of the item in the books of account and the year end. Monetary elements have not been restated because they are already expressed in the unit of measurement in force at the year end. All items in the income statement are expressed in the unit of measurement in force at the year end, applying the change in the general price index that took place from the date on which the income and costs were initially recognised in the books of account.

It should be noted that application of this standard has led to restatement in the current unit of measurement of income statement items and the following non-monetary items: "Property, plant and equipment", "Intangible assets", "Inventories", "Deferred taxes", "Tooling contract liabilities" (recorded on first-time adoption of IFRS 15).

Application of the new standard generated for the SOGEFI Group an increase in equity of € 4.2 million, a positive effect on revenue of € 13.5 million and a reduction in profit of € 3.4 million.

The SOGEFI Group did not restate the comparative period on first-time adoption of this IFRS in continuity with the provisions of IAS 21, according to which when the financial position and the economic result of an entity with a hyperinflationary currency are converted into the currency of a non-hyperinflationary economy, the comparative figures have to be those presented as current year amounts in the previous year's financial statements.

2.c. Scope of consolidation

The scope of consolidation of the Group at 31 December 2018 includes the parent COFIDE and all direct and indirect subsidiaries, joint ventures or associates. Assets and liabilities to be disposed of are reclassified to specific asset and liability items to highlight these circumstances.

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

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

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

At 31 December 2018 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:

<i>(in thousands of euro)</i>	2018	2017
Revenue	76,144	72,614
Profit for the year	14,433	10,771
Comprehensive income	14,380	10,744
Non-current assets	118,074	131,729
Current assets	32,187	32,346
Total assets	150,261	164,075
Non-current liabilities	15,667	34,843
Current liabilities	30,893	29,246
Total liabilities	46,560	64,089

2.d. Change in the scope of consolidation

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

▶ MEDIA

The changes in the scope of consolidation during the year relating to the GEDI Group are reported below.

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

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

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

▶ AUTOMOTIVE COMPONENTS

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

- the subsidiary Allevard IAI Suspensions Pvt Ltd approved a capital increase of € 102 thousand (amount resolved and paid in) fully subscribed by the minority shareholders, so the holding of the parent company Sogefi Suspensions S.A. was reduced from 75.67% to 74.23%;

- the subsidiary Sogefi Suspensions S.A. set up Sogefi Suspensions Eastern Europe S.r.l., based in Romania;
- the subsidiaries Sogefi Filtration S.A. and Sogefi Air & Cooling S.A.S. acquired from the minority shareholders 30% of the subsidiary Sogefi M.N.R. Engine Systems India Pvt following the exercise of the put option by the minority shareholders at the end of 2017.

▶ **HEALTHCARE**

The changes in the scope of consolidation during the year relating to the KOS group are reported below.

In particular, the KOS group carried out the following acquisitions during 2018:

- Casa di cura Sant'Alessandro S.r.l., whose acquisition gave rise to goodwill of € 3,675 thousand on a price paid of € 7,030 thousand;
- Prora S.r.l. and Ideas S.r.l., for € 5,645 thousand, which gave rise to goodwill of € 4,582 thousand;
- Laboratorio Analisi Chimiche Delta S.r.l., for € 710 thousand, which gave rise to goodwill of € 698 thousand;
- Ippofin S.r.l., the company that owns 100% of Villa dei Ciliegi di Monteveglio S.r.l., for € 7,216 thousand, which gave rise to goodwill of € 1,890 thousand;
- Villa di Pini S.r.l., whose acquisition gave rise to goodwill of € 3,159 thousand on a price paid of € 3,215 thousand.

▶ **OTHER COMPANIES**

The scope of consolidation has not changed from last year.

3. Accounting policies

3.a. Intangible assets (IAS 38)

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

Intangible assets 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 deferral.

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

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

Intangible assets with an indefinite useful life are not amortised, but monitored constantly for impairment.

It is mainly the GEDI Group's newspaper/magazine titles and TV/radio frequencies that are considered intangible assets with an indefinite useful life. The carrying amount of intangible assets is maintained to the extent that there is evidence that this value can be recovered through use; for this purpose, an impairment test, which verifies the capacity of the intangible asset to generate income in the future, is carried out at least once a year, and whenever there are reasons that make it appropriate.

Development expenses

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

Trademarks and licences

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.

Newspaper/magazine titles and TV/radio frequencies

The titles allocated to the respective CGUs are considered assets with an indefinite useful life. Radio frequencies are also considered as assets with an indefinite useful life since their use is made on the basis of concessions for the exercise of sound broadcasting whose duration is indefinite.

These assets are not amortised but subjected to impairment testing at least once a year, and any time there is an indication that the asset may have suffered an impairment loss. If there is an impairment loss, it is recognised in the income statement under "Amortisation, depreciation & 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.

Any impairment losses that emerge from the impairment test are recognised in the income statement under "Amortisation, depreciation & impairment losses" and are not reversed in subsequent periods.

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

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

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.

The capitalisation of costs relating to the expansion, modernisation or improvement of the structural elements owned or used by third parties is carried out exclusively to the extent that they meet the requirements to be classified separately as an asset or part of an asset. Ordinary maintenance costs are charged to the income statement.

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.

After initial recognition, property, plant and equipment are recognised at cost, net of accumulated depreciation and any impairment losses.

The depreciable value of each significant component of property, plant and equipment, having a different useful life, is allocated on a straight-line basis over the expected period of use.

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

The capitalised costs for leasehold improvements are depreciated over the shorter of the residual duration of the lease and the residual useful life of the asset to which they refer.

The carrying amount of property, plant and equipment is maintained to the extent that there is evidence that this amount can be recovered through use.

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 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 Group operates.

If there is a negative difference between these amounts and the carrying amount, the asset gets written down; if subsequently the reasons for the impairment no longer apply, the impairment loss is reversed. Such impairment losses and reversals of impairment losses 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 in profit or loss 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 amount 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 amounts of intangible and tangible assets 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 amount.

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 amount 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 amount, 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. Equity investments in associates and joint ventures (IAS 28)

Joint ventures are companies over which the Group has joint control and rights to their net assets. Joint control means sharing control of an agreement, which exists only when unanimous consent of all parties sharing control is required for decisions concerning relevant activities.

Associates are companies over which the Group exercises significant influence.

Significant influence is the power to participate in determining the financial and management policies of the investee without having control or joint control over it.

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

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

3.h. Other equity investments (IFRS 9)

Equity investments in companies where the Parent Company does not exercise significant influence are treated in accordance with IFRS 9 and are therefore classified as other equity investments and measured at fair value.

3.i. Assets held for sale (IFRS 5)

Non-current assets (or disposal groups) whose carrying amount will be recovered mainly by selling them rather than through their continuous use are classified as held for sale and shown separately from other assets and liabilities in the statement of financial position. For this to occur, the asset (or disposal group) must be available for immediate sale in its current condition, subject to conditions that are customary for the sale of such assets (or disposal groups) and the sale must be highly probable within a year. If these criteria are met after the balance sheet date, the non-current asset (or disposal group) is not classified as held for sale. However, if these conditions are met after the closing date of the financial year but before authorisation is given to publish the financial statements, appropriate disclosures are made in the explanatory notes.

Non-current assets (or disposal groups) classified as held for sale, are recognised at the lower of their carrying amount and the related fair value, net of selling costs; the corresponding prior-year figures in the statement of financial position are not reclassified.

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

- it represents an important line of business or geographical area of activity;
- it is part of a coordinated plan to dispose of an important line of business or geographical area of activity; or
- it is a subsidiary acquired exclusively for the purpose of being resold.

The results of discontinued operations - whether disposed of or classified as held for sale and being sold - are shown separately in the income statement, net of tax. Any corresponding prior-year figures are reclassified and shown separately in the income statement, net of tax, for comparison purposes.

3.j. 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.i. Inventories (IAS 2)

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

3.m. 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 or losses, net of tax, from financial assets classified as "available for sale" up to 31 December 2017, recognised in equity in the fair value reserve, were reclassified at 1 January 2018 to "Retained earnings".

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 in 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.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 as 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.o. Revenue from contracts with customers (IFRS 15)

The Group has applied IFRS 15 from 1 January 2018. For information on the accounting methods applied to contracts with customers, see paragraph 6, which also describes the effects of first-time adoption of IFRS 15. 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.

3.p. 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 employee leaving indemnity (TFR) regulations, introducing the option for workers to transfer their indemnity maturing after 1 January 2007 to selected pension schemes. Therefore, all post-employment benefits accrued as at 31 December 2006 for employees who exercised this option, while remaining within the sphere of defined benefit plans, was determined using actuarial methods that exclude the actuarial/financial components relating to future changes in salary.

In accordance with this standard, the COFIDE Group now measures and recognises the notional cost of stock options and stock grants to the income statement under personnel costs and apportions them throughout the vesting period of the benefit, with a contra-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 in profit or loss under personnel costs over the vesting period of the benefit; unlike for stock options and stock grants, the contra-entry is recorded under liabilities (other employee benefit obligations) 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.q. Derivatives (IAS 32 and 39)

The Group uses financial derivatives to hedge its exposure to foreign exchange and interest rate risk. Embedded derivatives are separated from the primary contract and accounted for separately when certain criteria are met.

The Group uses derivatives mainly to hedge risks, 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.

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

For accounting purposes hedging transactions can be classified as:

- 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 in 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 in equity, while the non-effective part is recognised to the income statement.

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

3.r. Foreign currency 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 revenue are translated using the average exchange rate for the year.

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

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

3.s. 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.t. Business combinations (IFRS 3)

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 9 – Financial Instruments: Recognition, or 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.

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

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

3.u. Use of estimates

The preparation of these consolidated financial statements and notes in accordance with IFRS requires management to make estimates and assumptions which affect the amounts 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 profit or loss in the year in which the amendment is made if the review only affects that year, or in subsequent years if the amendment affects both the current and future years.

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

See the notes on these specific items for further details.

4. Financial instruments

The Group has applied IFRS 9 Financial Instruments from 1 January 2018 (date of first-time adoption), except for the new provisions on hedge accounting as the Group decided to continue applying IAS 39.

With the adoption of IFRS 9, the Group also implemented the changes required by IAS 1 Presentation of financial statements, according to which losses due to the impairment of financial assets must be presented in a separate item of the statement of profit or loss and other comprehensive income. The Group previously included impairment losses on trade receivables in other costs.

In addition, the Group adopted the amendments related to IFRS 7 Financial instruments: other explanatory information that is only provided for 2018, not for comparatives disclosures.

Recognition and measurement

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

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

Classification and subsequent measurement – Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt securities valued at FVOCI are subsequently valued at fair value. Interest income calculated in accordance with the effective interest rate method, foreign exchange gains and losses and impairment losses are recognised in profit or loss for the year. Other net gains and losses are

recognised in other comprehensive income. At the time of derecognition, the gains or losses accumulated in other comprehensive income are reclassified to profit or loss for the year.

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

Classification and subsequent measurement – Financial liabilities:

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

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

Derecognition - Financial assets and liabilities

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

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

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

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

Impairment losses

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

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

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

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

Provisions for impairment losses on trade receivables and assets deriving from contracts are always measured at an amount equal to the expected losses throughout the life of the receivable.

To establish whether the credit risk on a particular financial asset has increased significantly since initial recognition in order to estimate expected losses, the Group takes into consideration information that is reasonable and provable, but also relevant and available without excessive cost or effort. Quantitative and qualitative information and analyses are included, based on the Group's historical experience, credit assessment and forward-looking information.

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

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

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

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

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

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

Provisions for impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

Fair value

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

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

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

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

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

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

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

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

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

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

The fair value hierarchy has three levels:

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

5. Accounting policies, changes in accounting estimates and errors

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

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

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

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

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

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

6. Adoption of new standards, interpretations and amendments

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

Application of IFRS 15

In particular, IFRS 15 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, such as leases, insurance contracts and financial instruments.

The COFIDE Group has applied IFRS 15 using the retrospective method. The comparative information has therefore been restated.

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

Sogefi Group

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

The supply of tooling and prototypes does not meet the requirements to be identified as a separate performance obligation, so the revenue is recognised with the same timing as the supply of goods. This is because tooling is used by the 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 group operates (legal ownership of tooling could be transferred to the customer before the start of mass production for a fixed fee or at the end of mass production, or the revenue from the sale of the tooling could be included in the selling price of the

individual goods). Previously, revenue for the contractual obligation to supply tooling was recorded on the basis of the contractual provisions, with specific reference to the transfer of ownership of the tooling to the customer.

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

The 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 and "prototypes" will be recognised and the costs for production/purchase of tooling and "prototypes" 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 recognised in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The group has also identified an impact on the presentation of revenue from customers in the aftermarket 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. These costs were previously shown under "Variable costs of sales" as they were considered marketing costs paid for by the customers.

In addition to the effects described above, other aspects of contracts with customers that are important for the group's activity were analysed, without finding any significant impacts of applying the new standard. For example, we are referring to contractual aspects (price revision, productivity, costs for the acquisition of a contract) that have been evaluated and recorded in line with the new standard, whose analysis is however also focused on new contracts.

The group has restated the comparative figures on the date of first-time adoption of IFRS 15, applying practical expedients. In particular, IFRS 15 was not applied retroactively for contracts completed before 1 January 2018. Retrospective application was also applied to the corresponding 2017 balances, with an effect on opening equity at 1 January 2017 of € 11.7 million.

Applying the new standard generated a reduction in equity at 1 January 2018 from € 189 million to € 177.7 million (net of tax). The impact on the 2017 profit is not significant.

It should also be noted that the new accounting policy mentioned above, relating to tooling and prototypes, resulted in a reduction in "Sales revenue" and "Variable cost of sales" and an increase in "Depreciation".

GEDI Group

The Group represents the Agent/Principal situation as follows.

Impacts have been identified in the recognition of revenue from the circulation business, where the Publisher recognises the revenue based on the cover price, gross of all the amounts paid to the distribution chain, including the share 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 previous accounting treatment, these amounts are recognised in total as a distribution cost and no longer as a reduction in revenue. The unit revenue with these characteristics is therefore shown as resulting from the copies sold valued at the cover price.

The Group has also analysed the contractual obligations relating to the advertising agency, concluding that the situation of 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 revenue on a net basis.

The Group has applied IFRS 15 since 1 January 2018 using the retrospective method. The comparative figures have therefore been restated.

Application of the new standard resulted in a reduction in "Revenue" for an amount of € 17.9 million with a simultaneous reduction in "Costs for services" of the same amount.

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

The following tables show the effects of adopting the new standard in the consolidated income statement and statement of financial position at 31 December 2017, together with recognition of the related taxation.

INCOME STATEMENT

(in thousands of euro)

	Period 01.01 – 31.12.2018	Period 01.01 – 31.12.2018 restated	Difference
Revenue	2,796,698	2,754,192	(42,506)
Costs for the purchase of goods	(1,046,116)	(980,475)	65,641
Costs for services	(674,459)	(656,550)	17,909
Other operating expense	(81,059)	(81,513)	(454)
Amortisation/Depreciation	(136,176)	(176,773)	(40,597)
Financial expense	(59,810)	(59,356)	454
Income taxes	(180,718)	(181,159)	(441)
Non-controlling interests	40,422	40,415	(7)
Profit (loss) for the year	(2,966)	(2,967)	(1)

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.12.2017	31.12.2017 restated	Difference
Intangible assets	1,138,329	1,156,202	17,873
Property, plant and equipment	691,148	799,830	108,682
Deferred tax assets	97,383	102,949	5,566
Inventories	175,608	139,222	(36,386)
Total assets	3,571,486	3,667,221	95,735

LIABILITIES	31.12.2017	31.12.2017 restated	Difference
Equity attributable to the owners of the Parent	524,664	521,151	(3,513)
Non-controlling interests	956,109	948,434	(7,675)
Other non-current payables	6,829	72,116	65,287
Deferred tax liabilities	171,068	171,963	895
Current trade payables	469,451	513,928	44,477
Other current payables	265,337	261,601	(3,736)
Total liabilities	3,571,486	3,667,221	95,735

Application of IFRS 9

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

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

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

The effects of first-time adoption of the standard are shown in opening equity at the date of FTA (1 January 2018). Given the limited impact of introducing this standard, the comparative figures have not been restated, though certain figures have been reclassified for the purpose of better comparability.

The analyses that we carried out on the impact of implementing IFRS 9 concerned the assessment of Expected Credit Losses on trade receivables, tax assets, other receivables and cash and cash equivalents.

These assessments led to a reduction in the equity of the COFIDE Group, net of tax, of € 770 thousand attributable for € 289 thousand to the KOS Group, € 254 thousand to the GEDI Group, € 134 thousand to the Sogefi Group and € 93 thousand to CIR and other non-industrial subsidiaries.

In particular, with effect from 1 January 2018, the securities and financial investments classified as "financial assets available for sale" will be classified according to IFRS 9 in "other financial assets" at "fair value through profit or loss (FVTPL)". As a result of this classification, on the same date, the "Fair value reserve" and the "Translation reserve" were reduced by € 24,302 thousand and € 3,677 thousand respectively, with a simultaneous increase in "Profit/(loss) carried forward" of € 27,979 thousand.

The following table summarises the effects of adopting the new standard on the opening balances.

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS

Other receivables – Non-current assets	(87)
Deferred tax assets	504
Trade receivables	(2,616)
Other receivables – current assets	(174)
Cash and cash equivalents	(168)
Total assets	(2,541)

LIABILITIES

Attributable to the owner of the parent	(770)
Non-controlling interests	(1,771)
Total liabilities	(2,541)

The following table shows the original measurement categories envisaged by IAS 39 and those introduced by IFRS 9 and adopted by the Group for each type of financial asset and liability.

Category of financial assets and liabilities at 1 January 2018	IAS 39 original classification	New IFRS 9 classification	Impairment (€/000)
NON-CURRENT ASSETS			
OTHER EQUITY INVESTMENTS	Cost	Non-current asset, FVTOCI no recycling	--
OTHER RECEIVABLES	Cost	Non-current asset, amortised cost	(87)
OTHER FINANCIAL ASSETS	AFS	FVTPL	--
CURRENT ASSETS			
TRADE RECEIVABLES	Amortised cost	Amortised cost, expected loss for counterparty risk	(2,616)
OTHER RECEIVABLES	Amortised cost	Amortised cost, expected loss for counterparty risk	(174)
LOANS RECEIVABLE	Amortised cost	Amortised cost, expected loss for counterparty risk	--
SECURITIES	Held for trading	FVTPL	--
OTHER FINANCIAL ASSETS	AFS	FVTPL	--
CASH AND CASH EQUIVALENTS	Amortised cost	Amortised cost, expected loss for counterparty risk	(168)
NON-CURRENT LIABILITIES			
BONDS	Amortised cost	Amortised cost	--
OTHER LOANS AND BORROWINGS	Amortised cost	Amortised cost	--
CURRENT LIABILITIES			
BANK LOANS AND BORROWINGS	Amortised cost	Amortised cost	--
BONDS	Amortised cost	Amortised cost	--
OTHER LOANS AND BORROWINGS	Amortised cost	Amortised cost	--
TRADE PAYABLES	Amortised cost	Amortised cost	--

Other standards and amendments

- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016 and endorsed by the European Commission in March 2018). The interpretation aims to provide guidelines for foreign exchange transactions where non-cash advances or payments on account are recognised, prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and consequently, the spot exchange rate when there are transactions in foreign currency in which the payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018. The new provisions at 31 December 2018 did not have any impact on the Group's consolidated financial statements.
- Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). These changes clarify the transfer of a building to or from the category of investment property. In particular, an entity has to reclassify a building to or from investment property only when there is evidence that there has been a change of use. Such a change must be linked to a specific event that has taken place, which means that it should not be limited to a change in management's intentions. These changes are applicable from 1 January 2018. The new provisions at 31 December 2018 did not have any impact 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. At 31 December 2018, the Group did not have any significant transactions of this type outstanding.
- The "Annual Improvements to IFRS Standards 2014-2016 Cycle" document (published on 8 December 2016 and endorsed in February 2018), whose further amendments concern:

IFRS 1 – First-time adoption of International Financial Reporting Standards - The amendments eliminate certain exemptions provided under IFRS 1 as they are no longer of any benefit. The amendments are effective for the year beginning on 1 January 2018;

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

These improvements did not have any impact on Group companies.

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

- IFRS 16 - Leases (published on 13 January 2016), which is intended to replace IAS 17 - Leases and IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions 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 recognising the asset being leased - whether a finance lease or an operating lease - under assets, with a financial liability as the contra-entry. The standard also provides an option not to recognise as leases 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.

Therefore, as a lessee, the Group previously classified leases as operating or financial depending on whether the leases substantially transfer all of the risks and benefits of ownership of the underlying asset. In accordance with IFRS 16, the Group recognises the lease assets for the right of use and lease liabilities for most of the leases.

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 Group intends to apply IFRS 16 from the date of first-time adoption (1 January 2019) using the modified retroactive method. The cumulative effect of adopting IFRS 16 will therefore be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative figures.

The Group decided not to recognise the assets for right of use and the liabilities involved in short-term leases (equal to or less than one year) of machinery, or leases of low-value assets, including IT equipment. The Group therefore records the lease payments due for these leases as a cost on a straight-line method over the duration of the lease contract.

The Group has estimated the effects of first-time application of the standard on the consolidated financial statements. The estimate of these effects on the equity of the Group at 1 January 2019 is based on the valuations made so far.

The final effects of adopting this standard at 1 January 2019 could be different as the new measurement criteria could be changed up to presentation of the group's first consolidated financial statements for the year that includes the date of first-time adoption.

We provide below some information on the effects of applying IFRS 16 in the financial statements of the sub-groups.

In the Sogefi group, the results of the analysis available to date show a reduction in equity of approximately € 4.8 million at 1 January 2019 (net of tax), additional assets for the right of use and lease liabilities of € 57.3 million and € 59.4 million, respectively.

In the KOS group, the impact is still being assessed. However, it is expected that applying IFRS 16 will have significant effects on the group's income statement and statement of financial position given the presence of numerous rental contracts (approximately 110) to run residences, nursing homes and rehabilitation hospitals. These contracts have a variable duration but with a minimum initial period typically of 6, 9 or 12 years with the possibility of renewal. The KOS group estimates that applying this standard could have an impact of approximately € 330 million on net financial indebtedness at 1 January 2019.

The GEDI Group has started analysing its contracts and collecting information regarding leases that are defined by IAS 17 as operating leases. It will be possible to estimate the impact once the group has completed this analysis. The approach to be adopted in the transition phase will also be defined once the analysis is completed.

The main impacts on the group's consolidated financial statements, which are still being defined, at 1 January 2019 show higher non-current assets for the recognition of the "right of use of the asset" and higher financial liabilities; consequently, a negative impact on net financial indebtedness of approximately € 62.6 million is expected at the time of the transition.

- Amendment to IFRS 9 "Prepayment Features with Negative Compensation" (published on 12 October 2017 and endorsed by the European Commission in March 2018). The amendment proposes that the amortised cost method or the fair value through other comprehensive income, depending on the business model adopted, could be applied to financial instruments with prepayment, which could give rise to a negative compensation. The amendments are effective for the year beginning on 1 January 2019.
- IFRIC 23 – *Uncertainty over income tax treatments*. In June 2017, the IASB published IFRIC 23 - Uncertainty over income tax treatments. The interpretation clarifies the application of recognition and measurement requirements under IAS 12 Income Taxes when there is uncertainty about the tax treatment. The amendments are effective for the year beginning on or after 1 January 2019, but earlier application is permitted.

- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017). The amendment clarifies that IFRS 9 should be applied to long-term assets from an associate or joint venture, which, in substance, form part of the net investment in the associated company or joint venture. The amendment also provides that IFRS 9 should be applied to these assets before the application of IAS 28, so that the entity does not take into account any adjustments to the long-term interests deriving from application of this standard. The amendments are effective for the year beginning on or after 1 January 2019, but earlier application is permitted.

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

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

- 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. The amendments are effective for the year beginning on or after 1 January 2019, but earlier application is permitted.
- Amendment IAS 19 - "Plan Amendment, Curtailment or Settlement" (published in February 2018). The amendment clarifies how to calculate the cost of current services and the net interest when there is a change in the defined benefit plan. The amendments are effective for the year beginning on 1 January 2019. Early application is allowed.
- Amendment to IAS 1 and IAS 8 – *Definition of material* (published in October 2018)
- Amendment to *references to the Conceptual Framework in IFRS Standards* (published in March 2018)
- Amendment to IFRS 3 – *Definition of business* (published in October 2018)

Statement of financial position

7. Non-current assets

7.a. Intangible assets

2018	Opening position			Changes for the year							Closing position		
	Original cost		Balance 31/12/2017 (*)	Additions	Business combinations and disposals		Exchange losses	Other changes	Net disposals	Amortisation and impairment losses	Original cost	Accumulated amortisation and impairment losses	Balance at 31.12.2018
(in thousands of euro)				increases	decreases			cost					
Start-up and capital costs	36	(36)	--	--	--	--	--	--	--	--	36	(36)	--
Capitalised development expenses													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	253,655	(161,993)	91,662	20,690	--	--	(84)	10,774	(42)	(40,465)	271,129	(188,594)	82,535
Industrial patents and intellectual property rights													
	61,249	(31,393)	29,856	737	--	--	--	7	--	(3,309)	61,876	(34,585)	27,291
Concessions, licences, trademarks and similar rights	98,962	(80,743)	18,219	6,445	1,505	--	(34)	3,457	(68)	(6,330)	109,440	(86,246)	23,194
Titles and trademarks	453,999	--	453,999	--	--	--	--	--	--	(21,514)	453,999	(21,514)	432,485
Frequencies	87,375	--	87,375	3,867	--	--	--	--	--	--	91,242	--	91,242
Goodwill	988,535	(548,945)	439,590	14,004	796	--	(77)	30	(98)	(3,343)	1,004,558	(553,656)	450,902
Assets under development and payments on account													
- purchased	6,148	--	6,148	3,872	(1,500)	--	(43)	(3,331)	--	--	5,146	--	5,146
- produced internally	17,741	(2,824)	14,917	9,985	--	--	(23)	(11,347)	--	(576)	16,233	(3,277)	12,956
Other	27,766	(13,330)	14,436	923	--	--	(41)	54	--	(1,283)	28,718	(14,629)	14,089
Total	1,995,466	(839,264)	1,156,202	60,523	801	--	(302)	(356)	(208)	(76,820)	2,042,377	(902,537)	1,139,840

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

Intangible assets rose from € 1,156,202 thousand at 31 December 2017 to € 1,139,840 thousand at 31 December 2018.

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

AMORTISATION RATES

Description	%
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%

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>	31.12.2018	31.12.2017
la Repubblica	219,782	229,952
Local newspapers	131,712	143,056
La Stampa and Il Secolo XIX	77,682	77,682
Other titles and trademarks	3,309	3,309
Total	432,485	453,999

Frequencies:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Radio frequencies	91,242	87,375
Total	91,242	87,375

Goodwill:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Automotive sector (Sogefi group)	128,637	128,638
Media (GEDi group)	32,929	35,662
Healthcare (KOS group)	289,336	275,290
Total	450,902	439,590

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 - to 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 Healthcare and Automotive Sectors ascertained the absence of impairment losses, whereas losses of € 24.2 million had to be recognised on the goodwill allocated to the Media Sector.

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 (GEDI Group)

The impairment test on the Media sector, which coincides with the Gedi Group's scope of consolidation, was applied to intangible assets with an indefinite useful life, i.e. titles and trademarks, with a carrying amount of € 432.5 million, radio frequencies, with a carrying amount of € 91.2 million, and the goodwill allocated to the sector for a total of € 32.9 million.

The impairment test carried out at the end of 2018 on the newspapers, radio frequencies, trademarks and goodwill established that there were impairment losses that had to be recognised for an amount of € 24.2 million.

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 2018 came to 7.04%.

The impairment tests conducted at 31 December 2018 are based on forecasts of the cash flows expected by the CGU, as reported in the 2019 Budget and 2019-2021 Three-Year Plan approved by the Board of Directors on 25 January 2019, with reference to the results and business goals. To be consistent with the impairment test carried out at 31 December 2017, 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 2021. The last year of the explicit forecast contained in the approved business plan (e.g. 2021) 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 (2021), 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, except for the "MO-Net" CGU which shows an evolution in the underlying business.

To determine the "fair value less costs of sell" we used a different approach for the operating divisions in the publishing sector, to which the newspapers, magazines, internet 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;
- c. For the internet company Mo-Net we used the direct valuation multipliers taken from comparable listed companies.

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 and Enterprise Value/Operating Profit. The multipliers used derive from the estimates made by Bloomberg for average multiples relating to a panel of companies that are comparable to the GEDI group, consistent with the panel used for calculating the beta and financial structure within the discount rate (WACC), and relating to the time horizon 2018-2021. Compared with last year, when the average between the actual year 2017 and the subsequent three-year period 2018-2020 was considered, in the absence of a satisfactory number of economic forecasts of comparable companies for the year 2021 (forecasts are available for only one comparable company), that year was excluded from the current calculation. The panel of comparable companies was considered in continuity with previous years, as well as the source of the data underlying the calculation (Bloomberg). The calculation referred to the average of multiples over the time horizon 2018-2020, so as to consider both current multiples (trailing) and prospective multiples (leading) and reduce the variability caused by using only prospective figures (being estimates).

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 2018-2020, 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 sell 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 2.23 times (value obtained from the acquisition of frequencies by the GEDI group) the number of inhabitants potentially reachable by the signal.

The fair value less costs to sell of the internet company (Mo-Net) was estimated using direct multipliers (Enterprise Value/Sales, Enterprise Value/Gross Operating Profit and Enterprise Value/Operating Profit) with reference to comparable listed companies. The multipliers determined with

reference to the selling prices of similar firms are difficult to apply in practice, both because internet transactions are rare in Italy and because of substantial differences in the business models of the companies traded. By contrast, financial metrics appear to indicate a clearer correlation between the market consensus about the growth potential of the revenue and operating profits of a business and the market prices for internet companies. To take into account the different dimensional factor and the relative "illiquidity" of the company being valued with respect to the panel of reference internet companies, as suggested by the main sector studies, a discount factor of 30% was applied to the equity value of Mo-Net obtained by applying market multipliers.

The impairment tests made at 31 December 2018 are based on forecasts of the cash flows expected from the reference CGUs, taken from the 2019 Budget and the 2019-2021 Three-Year Plan approved by the Board of Directors on 25 January 2019. 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 25 January 2019; 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 revenue, the contribution deriving from collateral initiatives linked to the newspapers and the evolution of costs.

Advertising revenue

For 2019, substantial stability in the advertising market as a whole (-0.3%) is assumed with respect to 2018, also in consideration of the limited growth forecast for GDP. For the rest of the plan, it is assumed that the advertising market will remain stable: 0% in 2020 and +0.5% in 2021.

With regard to the individual segments, the share is likely to stay 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, television and internet, a performance better than the market.

Market trends were reflected in the business plans of the Group's publishing CGUs for the years 2019-2021, 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 revenue

The assumptions made for the 2019 budget regarding the news-stand sales of the Group's daily newspapers are based on market trends during the period from 2007 to 2018.

Based on ADS data, during that period news-stand and subscription sales of daily newspapers fell by 56.0% (an annual average of -7.2%), from a daily average of 4.8 to 2.1 million copies. By segment, the national dailies providing information and sports news have fared worst, declining since 2007 by 65.7% (an annual average of -9.3%) and -62.0% (an annual average of -8.4%) respectively, while the sales of local newspapers have dropped by 49.3% (-6.0% per annum). This adverse trend has accelerated significantly in recent years however. The latest figures available at the time of preparation of the 2019 Budget (ADS in November) indicated an overall drop in news-stand sales and subscriptions of 7.4% (-8.3% for national newspapers and -6.7% for local newspapers) in 2018.

In view of these trends, the budget provides for a market evolution in 2019 similar to 2018 recording a fall of 7.5%; for the following years of the plan (2020-2021) a decrease of 7.5% continues to be assumed.

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 there will be an increase in subscriptions to premium content of all titles.

Lastly, the 2019-2021 plans provide for a € 0.10 increase in the cover price with an estimated impact on circulation of -2p.p. at the time of the price increase.

Add-ons

The budgets for 2019 and subsequent years of the plan envisage a substantial stability in margins from “add-ons”, being optional items sold together with daily newspapers.

Costs

With regard to cost trends, the forecasts for 2019-2021 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;
- efforts in reducing labour cost of printing personnel;
- a reduction in editorial costs by holding down expenses on bordereaux, photographs and agency fees, as well as through efforts in reducing 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, paper 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 value 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.

In particular, among the publishing CGUs, this analysis conducted on "La Repubblica", "GEDI News Network Livorno", "GEDI News Network Nord-Est" and "GEDI News Network Nord-Ovest" CGUs led to the following results:

- for the "La Repubblica" CGU, assuming as valid the hypotheses of the 2019-2021 plan, the impairment loss would have been reduced along with any reduction in the WACC applied for the purposes of the test, to the point of reducing it to zero by assuming a discount rate for the expected flows of 6.73% compared with 7.04% used in the base scenario. A sensitivity analysis was also prepared on the main variables that can influence the economic results and expected operating cash flows, which have been identified as circulation revenue and advertising revenue. This analysis indicates that the impairment loss of the "La Repubblica" CGU would be equal to zero assuming an average annual decline in 2019-2021 of 4.6% for paper advertising revenue and 4.0% for paper circulation revenue, improvements compared with those included in the plan;

- for the "GEDI News Network Livorno" CGU, assuming as valid the hypotheses of the 2019-2021 plan, the impairment loss would have been reduced with any reduction in the WACC applied for the purposes of the test, to the point of reducing it to zero by assuming a discount rate for the expected flows of 5.68% compared with 7.04% used in the base scenario. A sensitivity analysis was also prepared on the main variables that can influence the economic results and expected operating cash flows, which have been identified as circulation revenue and advertising revenue. This analysis indicates that the impairment loss of the "GEDI News Network Livorno" CGU would be equal to zero assuming an average annual decline in 2019-2021 of 5.0% for paper advertising revenue and 4.0% for paper circulation revenue, improvements compared with those included in the plan;
- for the "GEDI News Network Nord-Est" CGU, assuming as valid the hypotheses of the 2019-2021 plan, the value of the impairment loss would have been reduced along with any reduction in the WACC applied for the purposes of the test, to the point of reducing it to zero by assuming a discount rate for the expected flows of 6.13% compared with 7.04% used in the base scenario. A sensitivity analysis was also prepared on the main variables that can influence the economic results and expected operating cash flows, which have been identified as circulation revenue and advertising revenue. This analysis indicates that the impairment loss of the "GEDI News Network Nord-Est" CGU would be equal to zero assuming an average annual decline in 2019-2021 of 3.5% for paper advertising revenue and 2.5% for paper circulation revenue, improvements compared with those included in the plan;
- for the "GEDI News Network Nord-Ovest" CGU the value in use would be equal to its book value (€ 71.13 million) assuming further annual reductions of 1.3 p.p. against the trends forecast in the plan for the three-year period 2019-2021 of printed advertising revenue and 1.0 p.p. of paper circulation revenue, with the same cost trend. Alternatively, assuming that the assumptions used in the 2019-2021 plan are valid, the recoverable value in use of the "GEDI News Network Nord-Ovest" CGU would be equal to its book value assuming a discount rate for expected flows (WACC) equal to 9.24%, compared with 7.04% used in the basic version of the test.

A second level impairment test has therefore been carried out on the company as a whole to verify the recoverability of the carrying amount of all the CGUs and of the corporate costs/assets of the business as a whole, not allocated 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 7.04% and the terminal value was assumed to be equal to the flow of the last year of the plan (2021).

No loss in value emerged from this impairment testing procedure.

Automotive sector (Sogefi Group)

The goodwill allocated to the Automotive sector, which coincides with the Sogefi Group, amounts to about € 128.6 million. The Group has therefore allocated all of the goodwill to a single "Automotive" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs based on the approach taken by management of the Sogefi sub-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 came 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 2019 budget (approved by the Board of Directors on 4 February 2019) and, for subsequent years, the projections included in the 2020-2023 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 10.06%.

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

Lastly, the terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% (which is considered prudent when compared with the forecasts on the performance of the automotive sector developed by the most important sources in the sector) and an operating cash flow based on the last year of the multi-year business plan (2023), adjusted to project a stable situation into perpetuity, using the following main assumptions:

- an overall balance between investments and amortisation depreciation (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: 20.3%;
- levered beta of the sector: 1.09;
- risk-free rate: 3.7% (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: 7.5% (average risk premium, calculated by an independent source, of the main countries in which the group operates, weighted on the basis of revenue);
- spread on the cost of debt: 2.8% (estimated on the basis of the 2019 budget).

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

- the impairment test reaches a level of breakeven with the following discount rates (leaving the growth rate of the terminal value at 2% and all the other assumptions of the plan unchanged): 16.3% for the Filtration CGU, 29.7% for the Air and Cooling CGU and 13.0% for the Car Suspension Components CGU;
- the impairment test reaches a level of break even with a significant reduction in operating profit in the explicit period of the plan which also has a knock-on effect on the terminal value (keeping all the other assumptions of the plan the same): -45.5% for the Filtration CGU, -73.9% for the Air and Cooling CGU and -32.3% 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): -8.8% for the Filtration CGU, -143.8% for the Air and Cooling CGU and -1.9% 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 impairment loss was therefore recognised.

Healthcare (KOS Group)

The goodwill allocated to the healthcare sector, which corresponds to the KOS sub-group, amounts to € 289 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 amount 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 amounts 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>31.12.2018</i>
Long Term Care	251,651
Cancer Cure and Diagnostics	36,227
Corporate	516
Additional goodwill allocated to the Healthcare CGU	943
Total	289,337

In developing the impairment test, we used management's latest budget forecasts for the economic and financial trend during the period 2019-2023, assuming that the assumptions come about 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 2017) in line with the average long-term growth rate of production, the reference sector and the country in which the company operates. For the Indian CGU, given the inflation outlook above this value, it was decided to adopt a rate of 4%. 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 (after-tax WACC) is 6.3%, while for those in the UK it is 4.8% and for those in India it is 10.35%.

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

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

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

The group set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable 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 appreciably higher than that used in the test on all the regions considered, with the exception of Liguria, Tuscany and Lazio, for which the cover is negative, using a growth rate (g) of zero.

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

Moreover, in line with the analyses carried out by the KOS sub-holding, the Group also set up sensitivity analyses considering changes in the basic assumptions of the impairment test, particularly in the variables which have most impact on recoverable 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 considerably higher WACC than the one used in the test.

Lastly, note 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 involving the shares held by the non-controlling shareholder of the KOS group during 2016.

7.b. Property, plant and equipment

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

7.b. Property, plant and equipment

2018	Opening position			Changes for the year							Closing position			
	Original cost	Accumulated depreciation and impairment losses	Balance at 1/12/2017 (*)	Additions	Business combinations and disposals		Capitalised financial charges	Exchange losses	Other changes	Net disposals cost	Depreciation and impairment losses	Original cost	Depreciation and impairment losses	Balance at 31.12.2018
					increases	decreases								
<i>(in thousands of euro)</i>														
Land	47,238	(573)	46,665	1,310	3,695	--	--	(275)	1,707	(1,213)	--	52,500	(611)	51,889
Buildings used for operating purposes	391,018	(170,424)	220,594	5,183	5,836	--	--	(2,095)	18,928	(3,960)	(13,645)	403,382	(172,541)	230,841
Plant and machinery	950,609	(705,255)	245,354	22,107	287	--	--	(3,856)	32,058	(220)	(49,739)	975,904	(729,913)	245,991
Industrial and commercial equipment	324,500	(201,221)	123,279	19,669	195	--	--	(1,489)	10,787	(319)	(47,877)	315,918	(211,673)	104,245
Other assets	296,169	(229,796)	66,373	14,033	306	--	--	(280)	2,618	(188)	(15,460)	316,885	(249,483)	67,402
Assets under construction and payment on account	98,614	(1,049)	97,565	88,490	(144)	--	--	(1,024)	(62,503)	(221)	(87)	123,215	(1,139)	122,076
Total	2,108,148	(1,308,318)	799,830	150,792	10,175	--	--	(9,019)	3,595	(6,121)	(126,808)	2,187,804	(1,365,360)	822,444

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

Property, plant and equipment rose from € 799,830 thousand at 31 December 2017 to € 822,444 thousand at 31 December 2018.

It should be noted that the balances of "Industrial and commercial equipment" and "Assets under construction and payments on account" at 31 December 2018 include the investments made by the Sogefi group in tooling for € 56,305 thousand and € 44,015 thousand respectively.

DEPRECIATION RATES

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

Other assets:

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

7.c. Investment property

2018	Opening position			Changes for the year							Closing position			
	Original cost	Accumulated depreciation and impairment losses	Net balance 31.12.2017	Additions	Business combinations and disposals		Capitalised financial charges	Exchange gains (losses)	Other changes	Net disposals cost	Depreciation and impairment losses	Original cost	Accumulated depreciation and impairment losses	Balance at 31/12/2018
(in thousands of euro)					increases	decreases								
Buildings	29,397	(9,963)	19,434	--	--	--	--	--	--	--	(757)	29,397	(10,720)	18,677
Total	29,397	(9,963)	19,434	--	--	--	--	--	--	--	(757)	29,397	(10,720)	18,677

Investment property has gone from € 19,434 thousand at 31 December 2017 to € 18,677 thousand at 31 December 2018, mainly due to depreciation for the year.

The market value is considerably higher than the carrying amount.

DEPRECIATION RATES

Description	%
Buildings	3%

At the end of 2018, following the negative results of the subsidiary Sogefi Filtration do Brasil Ltda and the weak performance of the South American car market, the relevant tangible and intangible assets of the automotive sector were tested for impairment. This test was carried out following the procedure required by IAS 36, comparing the carrying amount of the assets concerned (€ 5.4 million for 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 tested for impairment.

The Unlevered DCF method was used. The subsidiary took into consideration the expected trends resulting from the 2019 budget and the subsequent 5 years (it is estimated that this period corresponds to the residual useful life of the assets) approved by its Advisory Board on 19 February 2019.

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

The discount rate used, based on the weighted average cost of capital, is equal to 18.77%.

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

- financial structure of the sector: 20.3%
- levered beta of the sector: 1.07
- risk-free rate: 10.61% (annual average of Brazilian 10-year government bonds)
- risk premium: 10.13% (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 higher than their carrying amount. No impairment loss was therefore recognised.

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

The position of leased assets and of restrictions applied to items of property, plant and on account of guarantees and commitments at 31 December 2018 and 2017 is as follows:

<i>(in thousands of euro)</i>	<i>Gross lease amount</i>		<i>Accumulated depreciation</i>		<i>Restrictions for guarantees and commitments</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Land	3,503	3,503	--	--		--
Buildings	63,115	63,097	10,691	8,607		131,178
Plant and machinery	20,868	20,437	13,812	11,746		--
Other assets	120	78	110	78		--
Assets under construction and payments on account	--	--	--	--		--

7.d. Equity-accounted investments

(in thousands of euro)

		Balance 31.12.2016	Increases (Decreases)	Impairment losses	Dividends	Pro-rata share of result		Other changes	Balance 31.12.2017
						Loss	Profit		
2017									
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

(in thousands of euro)

		Balance 31.12.2017	Increases (Decreases)	Impairment losses	Dividends	Pro-rata share of result		Other changes	Balance 31.12.2018
						Loss	Profit		
2018									
Persidera S.p.A.	30.00	105,727	--	(11,155)	(3,231)	--	77	--	91,418
Editoriale Libertà S.p.A.	35.00	14,095	--	(871)	(350)	--	417	--	13,291
Editoriale Corriere di Romagna S.r.l.	49.00	3,267	--	--	--	--	122	--	3,389
Altrimedia S.p.A.	35.00	762	--	--	(53)	--	30	--	739
Le Scienze S.p.A.	50.00	103	--	--	(19)	--	4	--	88
Devil Peak S.r.l.	36.16	--	--	--	--	--	--	--	--
Apokos Rehab PVT Ltd	50.00	856	--	--	--	(48)	--	--	808
Huffingtonpost Italia S.r.l.	49.00	371	--	--	--	--	75	--	446
Total		125,181	--	(12,026)	(3,653)	(48)	725	--	110,179

At 31 December 2018, 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 2019-2021 budgets. In particular, for the "Persidera CGU" the plan approved by the company's Board of Directors on 20 February 2019 assumes an increase in the gross operating margin in the 2020-2021 two-year period of 1.2% per year. The terminal value was calculated in consideration of the gross operating profit of the last year of the plan and of depreciation/investments coinciding with the investments of the last year of the plan (2021). The discount rate for expected cash flows is 8.02%, which incorporates an additional risk premium (so-called "execution risk"), quantified as 0.5%, which considers the risk underlying the new economic-financial forecasts prepared by Persidera management with particular reference to the change in technology (so-called "switch off") foreseen starting from 2020, to the variability of the costs and investments needed to carry out this change in technology, and to the results for the year 2018, which are lower than the expectations in the budget drawn up the previous year.

Following the impairment test at the end of 2018 it was necessary to reduce the values of the investments in Persidera S.p.A., for an amount of € 11,155 thousand, and in Editoriale Libertà S.p.A., for an amount of € 871 thousand. With regard to the investment in Editoriale Corriere di Romagna S.r.l., there was no need to reduce the carrying amount.

7.e. Other investments

<i>(in thousands of euro)</i>	<i>31.12.2018</i>	<i>31.12.2017</i>
Radio Italia S.p.A.	6,500	6,500
Ansa S. Coop. A.R.L.	2,173	2,173
D-SHARE S.r.l.	1,000	1,000
Emittenti Titoli S.p.A.	--	132
Other	2,852	2,444
Total	12,525	12,249

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

7.f. Other receivables

"Other receivables" at 31 December 2018 had a balance of € 50,655 thousand, compared with € 56,874 thousand at 31 December 2017, and were made up of:

- € 9,247 thousand (€ 10,094 thousand at 31 December 2017) 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.;
- € 3,754 thousand related to guarantee deposits;
- € 25,018 thousand due from the Treasury to the Sogefi group, mainly relating to tax assets for research and development of the French subsidiaries.

7.g. Other financial assets

"Other financial assets" at 31 December 2018 amounted to € 75,469 thousand compared with € 79,511 thousand at 31 December 2017 and mainly referred to investments in private equity funds and non-controlling interests. The fair value measurement of these investments led to net losses in the income statement for € 4,881 thousand recorded under item 14.e "Fair value gains or losses on financial assets". During the year, gains for € 11,670 thousand (€ 19,164 thousand in 2017) were realised and booked to item 14.c. "Gains on securities trading", and losses for € 331 thousand booked to item 14.d "Losses from trading securities".

At 31 December 2018, the residual commitment for investment in private equity funds stood at € 12.7 million.

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:

<i>(in thousands of euro)</i>	2018		2017	
	<i>Total temporary differences</i>	<i>Tax effect</i>	<i>Total temporary differences</i>	<i>Tax effect</i>
Deductible temporary differences from:				
- impairment losses current assets	62,250	12,282	67,394	16,746
- impairment losses non-current assets	80,805	21,284	81,041	21,680
- reversals of impairment losses current liabilities	24,138	7,179	24,549	7,143
- reversals of impairment losses employee benefit obligations	74,592	16,913	73,792	16,807
- reversals of impairment losses provisions for risks and charges	61,898	15,539	72,524	20,710
- reversals of impairment losses medium / long-term borrowings	--	--	--	--
- impairment losses financial instruments	1,542	379	840	211
- tax losses from previous years	96,296	25,424	88,745	19,652
Total deferred tax assets	401,521	99,000	408,885	102,949
Taxable temporary differences from:				
- reversals of impairment losses current assets	8,241	2,018	10,916	2,627
- reversals of impairment losses non-current assets	587,901	159,601	561,108	155,659
- impairment losses current liabilities	38,637	7,396	50,651	12,974
- measurement employee benefit obligations	2,983	715	2,209	580
- impairment losses provisions for risks and charges	448	133	401	120
- impairment gains on financial instruments	2	1	11	3
Total deferred tax liabilities	638,212	169,864	625,296	171,963
Net deferred taxes		(70,864)		(69,014)

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 € 382.9 million, which can be carried forward without any limit, and to other Group companies for € 92.7 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:

2018	<i>Balance at 31.12.2017</i>	<i>Use of deferred taxes from prior years</i>	<i>Deferred taxes generated in the year</i>	<i>Exchange differences and other changes</i>	<i>Balance at 31.12.2018</i>
<i>(in thousands of euro)</i>					
Deferred tax assets:					
- income statement	83,535	(18,185)	14,517	--	79,867
- equity	19,414	--	156	(437)	19,133
Deferred tax liabilities:					
- income statement	(146,135)	5,003	(2,426)	(3,442)	(147,000)
- equity	(25,828)	38	(334)	3,260	(22,864)
Net deferred taxes	(69,014)				(70,864)

8. Current assets

8.a. Inventories

Inventories can be broken down as follows:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Raw materials, supplies and consumables	76,890	75,649
Work in progress and semi-finished products	16,586	15,492
Finished products and goods	40,742	48,081
Payments on account	--	--
Total	134,218	139,222

The amount 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.

8.b. Trade receivables

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Receivables - customers	420,279	470,937
Receivables - associates	690	1,677
Total	420,969	472,614

The decrease in "Receivables - customers" is essentially attributable to the Sogefi and GEDI Groups.

"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 2018, loss allowances were made for a total of € 6,809 thousand compared with € 6,222 thousand in 2017.

"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>	31.12.2018	31.12.2017
Receivables - associates	105	105
Tax receivables	35,552	48,766
Other receivables	43,626	56,336
Total	79,283	105,207

The "Tax receivables" of the previous year included an amount of € 13,363 thousand relating to the IRES consolidated rebate application pursuant to Italian Legislative Decree 201/2011. During the

month of December, the non-recourse assignment of this amount was finalised with a leading financial institution.

The decrease in "Other assets" is essentially attributable to the GEDI group.

8.d. Loans assets

"Loans assets" fell from € 21,717 thousand at 31 December 2017 to € 25,773 thousand at 31 December 2018. This item includes € 5,115 thousand which relates to the fair value measurement of hedge accounting Cross Currency Swap contracts taken out by the Sogefi Group for the purpose of hedging the interest rate and currency risk on the private bond placement of USD 115 million; it also includes € 14,672 thousand of receivables due to the KOS 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>	31.12.2018	31.12.2017
Equity investments in other companies	133	933
Investment funds and similar funds	22,563	44,500
Other securities	10,867	11,795
Total	33,563	57,228

At 31 December 2018, the item totalled € 33,563 thousand (€ 57,228 thousand at 31 December 2017) and includes investments in mutual investment by CIR Investimenti S.p.A. for € 14,202 thousand (€ 35,132 thousand at 31 December 2017) and by the Parent Cofide S.p.A. for € 8,361 thousand (€ 9,368 thousand at 31 December 2017), a structured security for € 10,867 thousand (€ 11,209 thousand at 31 December 2017) and equities held by Cofide S.p.A.

The fair value measurement of "Securities" led to a fair value loss in the income statement of € 2,794 thousand.

8.f. Other financial assets

This item totals € 276,880 thousand (€ 235,251 thousand at 31 December 2017) and refers for € 37,920 thousand (€ 39,110 thousand at 31 December 2017) to shares in hedge funds and redeemable shares in asset management companies held by CIR International S.A. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.

The fair value measurement of these funds involved a loss in the income statement of € 1,734 thousand. During the year, gains for € 2,783 thousand (€ 3,664 thousand in 2017) were realised and booked to item 14.c. "Gains on securities trading".

This item also includes € 238,960 thousand (€ 196,141 thousand at 31 December 2017) for whole-life insurance and capitalisation policies arranged with leading insurance companies by CIR Investimenti S.p.A., with yields linked to separate managed insurance funds and, in some cases, to unit-linked funds. The net yield during the year came to € 3,377 thousand (€ 3,088 thousand in 2017). The fair value measurement of policies with yields deriving from unit-linked funds has resulted in a loss in the income statement of € 1,156 thousand.

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

"Cash and cash equivalents" went from € 263,065 thousand at 31 December 2017 to € 247,790 thousand at 31 December 2018.

"Bank loans and borrowings" went from € 17,551 thousand at 31 December 2017 to € 13,046 thousand at 31 December 2018.

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

8.h. Assets and liabilities held for sale

In the second half of 2018, Sogefi group management presented a plan to sell part of the production facilities at the Fraize plant belonging to the French subsidiary Sogefi Air & Cooling S.A. For this reason, the plant was shown in the financial statements as "assets held for sale". The sale is currently underway and is expected to be completed in early 2019.

At 31 December 2018, the disposal group was recognised at fair value, net of costs to sell, and included the following assets and liabilities.

(in thousands of euro)

ASSETS HELD FOR SALE

Property, plant and machinery	11,077
Intangible assets	411
Inventories	1,944
Other receivables	167
Total assets held for sale	13,599

LIABILITIES HELD FOR SALE

Trade payables and other liabilities	9,364
Total liabilities held for sale	13,599

Recognition of these directly-related assets and liabilities, which are held for disposal, generated a write-down of € 5,188 thousand relating to research and development projects deemed not recoverable from the sale of the French location.

The "Assets held for sale" shown in the financial statements at 31 December 2017, amounting to € 3,418 thousand and relating to land and a building at the Lieusaint location of the Sogefi Group subsidiary Sogefi Suspensions S.A., were sold during 2018.

9. Equity

9.a. Share capital

Share capital at 31 December 2018 amounted to € 359,604,959.00, the same as at 31 December 2017, and consisted of 719,209,918 ordinary shares with a nominal amount of € 0.50 each.

At 31 December 2018 the Company held 24,164,055 treasury shares (3.36% of the share capital) for an amount of € 13,841 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.

It should be remembered that on 27 April 2018, the Shareholders' Meeting voted to cancel the previous resolution to purchase treasury shares and to give a new authorisation for eighteen months from the day after that date to purchase a maximum of 70,000,000 treasury shares and to dispose of them.

9.b. Reserves

The breakdown of "Reserves" is as follows:

<i>(in thousands of euro)</i>	<i>Share Premium reserve</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Translatio n reserve</i>	<i>Reserv e for treasu ry shares</i>	<i>Other reserves</i>	<i>Total reserves</i>
Balance at 31 December 2016	5,044	22,644	15,833	(3,434)	--	54,954	95,041
Retained earnings	--	941	--	--	--	--	941
Equity transactions	--	--	--	--	9,594	(11,364)	(1,770)
Fair value measurement of cash flow hedges	--	--	980	--	--	--	980
Fair value gains (losses) on securities	--	--	6,689	--	--	--	6,689
Fair value gains (losses) on securities reclassified to profit or loss	--	--	(852)	--	--	--	(852)
Effects of changes in equity attributable to subsidiaries	--	--	204	(51)	--	(13,472)	(13,319)
Translation differences	--	--	--	(8,450)	--	--	(8,450)
Net actuarial gains (losses)	--	--	--	--	--	601	601
Balance at 31 December 2017	5,044	23,585	22,854	(11,935)	9,594	30,719	79,861
Adjustments on FTA of IFRS 15 (net of tax)	--	--	--	116	--	(3,628)	(3,512)
Balance restated at 31 December 2017	5,044	23,585	22,854	(11,819)	9,594	27,091	76,349
Adjustments on FTA of IFRS 9 (net of tax)	--	--	(24,302)	(3,677)	--	(770)	(28,749)
Balance restated at 1 January 2018	5,044	23,585	(1,448)	(15,496)	9,594	26,321	47,600
Retained earnings	--	707	--	--	--	--	707
Equity transactions	--	--	--	--	2,488	(2,477)	11
Fair value measurement of cash flow hedges	--	--	490	--	--	--	490
Effects of changes in equity attributable to subsidiaries	--	--	(30)	(320)	--	5,893	5,543
Translation differences	--	--	--	(3,411)	--	--	(3,411)
Net actuarial gains (losses)	--	--	--	--	--	550	550
Balance at 31 December 2018	5,044	24,292	(988)	(19,227)	12,082	30,287	51,490

The "Fair value reserve", net of tax, was negative for € 988 thousand and refers to the measurement of hedges.

The "Translation reserve" had a negative balance of € 19,227 thousand at 31 December 2018 with the following breakdown:

<i>(in thousands of euro)</i>	01.01.2018	Increases	Decreases	31.12.2018
Sogefi group	(15,478)	--	(3,682)	(19,160)
KOS group	63	--	(50)	13
Other	(81)	1	--	(80)
Total	(15,496)	1	(3,732)	(19,227)

The breakdown of "Other reserves" at 31 December 2018 was as follows

<i>(in thousands of euro)</i>	
Negative goodwill	43
Reserve for the difference between the carrying amounts of investees and the respective portions of consolidated equity	30,244
Total	30,287

9.c. Retained earnings

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

10. Non-current liabilities

10.a. Bonds

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

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
GEDI Gruppo Editoriale S.p.A. 2.625% 2014/2019 Convertible Bond	--	87,906
Sogefi S.p.A. Bond 2013/2020 in USD	57,197	68,253
Sogefi S.p.A. Bond 2013/2020	24,981	24,967
Sogefi S.p.A. 2% 2014/2021 Convertible Bond	89,574	85,678
Private Placement KOS S.p.A. 2017/2024	63,684	63,553
Private Placement KOS S.p.A. 2017/2025	34,818	34,755
Total	270,254	365,112

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

10.b. Other loans and borrowings

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Collateralised bank loans and borrowings	36,903	45,758
Other bank loans and borrowings	267,830	165,951
Leases	57,664	68,092
Other payables	2,607	2,062
Total	365,004	281,863

This item consists of loans to KOS group companies for € 199,310 thousand, loans to Sogefi Group companies for € 124,486 thousand and loans to companies of the GEDI Group for € 3,507 thousand and loans of the Parent Cofide for € 37,701 thousand.

10.c. Employee benefit obligations

The details of this item are as follows:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Post-employment benefits (TFR)	77,657	81,926
Pension funds and similar obligations	57,434	57,809
Total	135,091	139,735

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Opening balance	139,735	131,058
Provision for labour provided during the year	27,044	22,955
Increases for interest	2,045	1,956
Actuarial gains or losses	(1,085)	(3,495)
Benefits paid	(11,211)	(10,550)
Increases or decreases due to changes in the scope of consolidation	1,618	16,227
Other changes	(23,055)	(18,416)
Closing balance	135,091	139,735

Post-employment benefits (TFR) and Defined Benefit Provision

Annual technical discount rate	1.13% - 3.10%
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 2017	19,538	2,623	18,214	28,522	68,897
Provisions made during the year	2,194	1,817	2,921	2,918	9,850
Uses	(4,122)	(2,895)	(11,819)	(3,967)	(22,803)
Exchange losses	--	--	(35)	(798)	(833)
Other changes	(4,777)	--	(5,000)	(2,311)	(12,088)
Balance at 31 December 2018	12,833	1,545	4,281	24,364	43,023

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

<i>(in thousands of euro)</i>	<i>Provision for pending disputes</i>	<i>Provision for restructuring charges</i>	<i>Provision for other risks</i>	<i>Total</i>
Balance at 31 December 2017	5,965	10,342	54,937	71,244
Provisions made during the year	141	17,385	11,858	29,384
Uses	(2,118)	(6,196)	(11,747)	(20,061)
Exchange (losses)	--	--	(6)	(6)
Other changes	2,185	--	4,631	6,816
Balance at 31 December 2018	6,173	21,531	59,673	87,377

As regards the "Provision for product warranties", it should be noted that, in August 2018, Sogefi concluded a definitive agreement regarding compensation claims made by two customers against its subsidiary Sogefi Air & Cooling S.A.S. (formerly Systèmes Moteurs S.A.S.) for the supply of a defective component.

These claims had resulted in various disputes, on the one hand, with the two customers and subcontractors, and on the other, with the company from which Sogefi acquired Systèmes Moteurs (Dayco Europe S.r.l.).

The agreement provided for the closure of all pending disputes, eliminating the significant risks associated with the issue (regarding which the market was properly and regularly informed).

This agreement had a positive effect on the result of € 6,565 thousand before tax due to the prudential provisions made in previous years. This amount is made up as follows: € 10,800 thousand from the release of a part of the provision for product warranties, € 9,735 thousand from the reversal of the "Indemnification asset" recognised under assets in previous years and € 5,500 thousand from the recognition of a gain in the income statement.

Apart from the libel disputes regarding the GEDI group, which are typical of all publishing businesses, the provision for pending disputes 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 GEDI group.

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 € 113,801 thousand, includes € 98,884 thousand for the current portion of the GEDI Gruppo Editoriale S.p.A. 2014/2019 Convertible Bond, € 14,348 thousand for the current portion of the Sogefi S.p.A. Bond 2013/2023 denominated in USD and € 569 thousand for 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>	31.12.2018	31.12.2017
Collateralised bank loans and borrowings	8,285	9,300
Other bank loans and borrowings	44,493	91,753
Leases	12,455	12,542
Other loans and borrowings	79,641	82,594
Total	144,874	196,189

This item refers to loans to GEDI group companies for € 78,792 thousand, loans to Sogefi group companies for € 45,915 thousand and loans to companies of the KOS group for € 20,167 thousand.

11.c. Trade payables

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Payables - subsidiaries and joint ventures	9	9
Payables - associates	2,229	1,821
Payables - suppliers	456,799	461,199
Payments on account	38,383	50,899
Total	497,420	513,928

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

11.d. Other payables

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Due to employees	75,681	74,322
Tax payables	44,215	76,760
Social security payables	50,682	51,126
Other payables	42,128	59,393
Total	212,706	261,601

At 31 December 2017, "Tax payables" included 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.

At 31 December 2017, "Other payables", for the Sogefi Group, included an amount of € 14,997 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.

Income Statement

12. Revenue

BREAKDOWN BY BUSINESS SEGMENT

<i>(in millions of euro)</i>	2018		2017		Change %
	amount	%	amount	%	
Automotive components	1,623.8	57.6	1,647.8	59.8	(1.5)
Media	648.7	23.0	615.8	22.4	5.3
Healthcare	544.9	19.4	490.6	17.8	11.1
Total consolidated revenue	2,817.4	100.0	2,754.2	100.0	2.3

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

2018	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
Automotive components	1,623.8	85.0	881.0	310.4	175.8	164.8	6.8
Media	648.7	648.7	--	--	--	--	--
Healthcare	544.9	520.9	9.5	--	--	14.5	--
Total consolidated revenue	2,817.4	1,254.6	890.5	310.4	175.8	179.3	6.8
Percentages	100.0%	44.5%	31.6%	11.0%	6.2%	6.4%	0.3%

(in millions of euro)

2017	Total revenue	Italy	Other European countries	North America	South America	Asia	Other countries
Automotive components	1,647.8	102.5	879.3	312.5	181.8	165.6	6.1
Media	615.8	615.8	--	--	--	--	--
Healthcare	490.6	473.7	7.5	--	--	9.4	--
Total consolidated revenue	2,754.2	1,192.0	886.8	312.5	181.8	175.0	6.1
Percentages	100.0%	43.3%	32.2%	11.3%	6.6%	6.4%	0.2%

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

13. Operating costs and income

13.a. Costs for the purchase of goods

This item has risen from € 980,475 thousand in 2017 to € 1,004,032 thousand in 2018. The increase is mainly attributable to the Sogefi Group.

13.b. Costs for services

This item passes from € 656,550 thousand in 2017 to € 679,498 thousand in 2018, as analysed below:

<i>(in thousands of euro)</i>	2018	2017
Technical and professional consulting	104,927	102,220
Distribution and transport costs	113,698	105,981
Outsourcing	35,350	34,803
Other expenses	425,523	413,546
Total	679,498	656,550

The increase in "Costs for services" is mainly attributable to the GEDI group and to the KOS group.

13.c. Personnel costs

Personnel costs amount to € 787,016 thousand in 2018 (€ 732,661 thousand in 2017).

<i>(in thousands of euro)</i>	2018	2017
Salaries and wages	529,767	503,064
Social security contributions	169,890	161,175
Post-employment benefits	22,109	20,132
Pensions and similar benefits	4,847	2,809
Valuation of stock option plans	3,733	3,430
Other costs	56,670	42,051
Total	787,016	732,661

The increase in "Personnel costs" is mainly attributable to the GEDI Group and to the KOS Group.

The Group had an average of 16,213 employees in 2018 (15,012 in 2017).

13.d. Other operating income

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2018	2017
Grants related to income	173	143
Capital gains	13,478	3,505
Prior year and other income	26,586	27,259
Total	40,237	30,907

The increase in "Other operating income" is mainly attributable to the Sogefi Group.

13.e. Other operating expense

This item can be broken down as follows:

<i>(in thousands of euro)</i>	2018	2017
Impairment losses on receivables and bad debts	7,845	7,152
Accruals to provisions for risks and charges	21,334	10,573
Indirect taxes	32,929	31,399
Restructuring charges	758	8,606
Losses on asset disposals	10,319	2,108
Miscellaneous losses and other costs	7,284	21,675
Total	80,469	81,513

"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>	2018	2017
Interest income on bank accounts	426	735
Interest income on securities	700	796
Other interest income	4,616	4,511
Interest rate derivatives	2,251	3,254
Exchange rate gains	807	298
Other financial income	--	--
Total	8,800	9,594

14.b. Financial expense

This item includes the following:

<i>(in thousands of euro)</i>	2018	2017
Interest expense on bank accounts	12,617	9,357
Interest expense on bonds	19,605	20,618
Other interest	10,735	13,482
Interest rate derivatives	2,645	6,458
Exchange losses	53	51
Other financial expenses	7,507	9,390
Total	53,162	59,356

14.c. Gains from trading securities

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

<i>(in thousands of euro)</i>	2018	2017
Shares - other companies	68	208
Other securities and other gains	14,553	26,183
Total	14,621	26,391

14.d. Losses from trading securities

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

<i>(in thousands of euro)</i>	2018	2017
Shares - other companies	11	--
Other securities and other losses	975	156
Total	986	156

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

This item is negative for € 23,205 thousand and refers for € 6,295 thousand to the fair value loss on "Securities" and "Other financial assets" classified as current assets, for € 4,884 thousand to the fair value loss of "Other financial assets" and "Other equity investments" classified as non-current assets and for € 12,026 thousand to losses on "Equity-accounted investments".

15. Income taxes

Income taxes can be broken down as follows:

<i>(in thousands of euro)</i>	2018	2017
Current taxes	33,183	27,862
Deferred taxes	1,667	2,188
Income taxes from prior years	(2,563)	151,109
Total	32,287	181,159

"Income taxes from prior years" in the previous year included the effects of settling tax disputes within the GED I group: 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 income.

The following table shows a reconciliation of the ordinary tax rate and the effective tax rate for 2018:

<i>(in thousands of euro)</i>	<i>2018</i>
Pre-tax income as per the consolidated financial statements	49,804
Theoretical income taxes	11,953
Tax effect of non-deductible costs	11,434
Tax effect of prior year losses which generate deferred tax assets in the current year	(6,552)
Tax effect of prior year losses which did not generate deferred tax assets	315
Tax effect on interest rate differentials of foreign companies	4,948
Non-taxable grants	(2,155)
Other	5,777
Income taxes	25,720
Average effective tax rate	51.6
Theoretical tax rate	24.0
IRAP and other taxes	9,130
Income taxes from prior years	(2,563)
Total taxes as per the consolidated financial statements	32,287

16. Profit (loss) from discontinued operations

Last year, the item included 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 (loss) 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 following chart provides information on the shares used to calculate basic and diluted earnings per share.

	<i>2018</i>	<i>2017</i>
Profit (loss) attributable to the shareholders (in thousands of euro)	4,535	(2,967)
Weighted average number of ordinary shares in circulation	697,049,390	708,378,708
Earnings (loss) per share (euro)	0.0065	(0.0042)

	<i>2018</i>	<i>2017</i>
Profit (loss) from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	2,164	(4,065)
Weighted average number of ordinary shares in circulation	697,049,390	708,378,708
Earnings (loss) per share (euro)	0.0031	(0.0057)

18. Dividends paid

Dividend payments during the period amounted to € 9,800 thousand, being € 0.014 per share.

19. Financial risk management: additional disclosures

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

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

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

19.a. Market risk

Currency risk

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

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

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

<i>Sensitivity analysis on the EUR/USD exchange rate</i>	<i>31.12.2018</i>		<i>31.12.2017</i>	
	<i>-5%</i>	<i>+5%</i>	<i>-5%</i>	<i>+5%</i>
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Effect on income statement (EUR/thousand)	1,367	(1,047)	670	(589)
Effect on equity (EUR/thousand)	1,367	(1,047)	670	(589)

19.b. Credit risk

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

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

Credit risk can vary depending on the business segment concerned.

In the "Automotive Components" 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.

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 segment manage their own liquidity risk directly and independently. Tight control is exercised over the net financial position and its movements in the short, medium and long term. In general, the 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>	31.12.2018		31.12.2017	
	-%	+	-1%	+1%
Change				
Change in income statement	(326)	505	(1,335)	(1,214)
Change in equity	(326)	505	(1,384)	(465)

Note that for the KOS group, given that interest rates in 2018 and 2017 reached low levels tending to zero, it was decided only to evaluate the effect of a +1% change in interest rates on the income statement and statement of financial position.

19.e. Derivatives

Derivatives are measured at fair value.

For accounting purposes hedging transactions can be classified as:

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

For derivatives classified as fair value hedges, gains and losses resulting from both the determination of their market value and the fair value gains or losses of the element underlying the hedge are recognised in 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 in equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised in the income statement.

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

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

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

At 31 December 2018, the Group had the following derivatives outstanding accounted for as hedges, expressed at their notional value:

a) interest rate hedge:

- hedging of the KOS group's bank borrowings, with a notional value of € 65.1 million.

b) exchange rate hedge:

- forward sales totalling USD 51.5 million to hedge investments of CIR International S.A. in hedge funds, expiring in March 2019;

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

- forward sales of USD 10 million and purchases of Euro expiring in 2019;
- forward sales of Euro 0.25 million and purchases of BRL expiring in 2019;
- forward sales of USD 1.1 million and purchases of BRL expiring in 2019;
- forward purchases of GBP 8 million and sales of Euro expiring in 2019;
- forward purchases of GBP 8 million and sales of Euro expiring in 2019;
- forward purchases of USD 0.3 million and sales of Euro expiring in 2019;
- forward purchases of USD 2 million and sales of CAD expiring in 2019;
- forward purchases of USD 2.2 million and sales of ARS expiring in 2019;
- forward purchases of Euro 1.2 million and sales of INR expiring in 2019;
- forward purchases of Euro 0.3 million and sales of BRL expiring in 2019;
- forward purchases of Euro 0.35 million and sales of INR expiring in 2019;
- forward purchases of Euro 0.2 million and sales of MXN expiring in 2019;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds with a notional amount of USD 82.1 million.

19.f. Capital ratios

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

19.g. Borrowing conditions

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

At 31 December 2018, all contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

Below is a summary of the main covenants relating to the borrowings of the operating sub-holding companies outstanding at 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 € 25,000 thousand - Mediobanca S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 3;
- loan of € 50,000 thousand - Unicredit S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 3;
- loan of € 80,000 thousand - Banca Nazionale del Lavoro S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 3;
- loan of € 55,000 thousand - Ing Bank N.V.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 4;
- loan of € 50,000 thousand - Intesa Sanpaolo S.p.A.: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 4; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial expenses not less than 3;
- bond of USD 115,000 thousand: ratio of consolidated net financial position to consolidated normalised gross operating profit (loss) less than or equal to 3.5; ratio of consolidated normalised gross operating profit (loss) to consolidated net financial 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 2018, these covenants were all respected.

▪ KOS Group

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

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

At 31 December 2018, these covenants were all respected.

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

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.

With reference to capitalisation policies, these instruments cannot be classified as fair value level 1. This is because they are not listed and the price cannot be obtained from public info providers. It should also be considered that, given the impossibility for the investor/insured party to sell these instruments to third parties (they are linked to the life-span of the insured person), there are not even transactions that can identify the instrument as "liquid".

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

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

Items	Level 1	Level 2	Level 3	Total as per financial statements
<i>(in thousands of euro)</i>				
NON-CURRENT ASSETS				
<i>Financial assets</i>				
<i>(measured at fair value through profit or loss)</i>				
Other financial assets (item 7.g.)	--	73,335	2,134	75,469
CURRENT ASSETS				
<i>Financial assets</i>				
<i>(measured at fair value through profit or loss)</i>				
Loan receivable (item 8.d.)				
- derivatives	--	5,669	--	5,669
Securities (item 8.e.)				
- Equity investments	--	133	--	133
- Government bonds	--	--	--	--
- Investment funds and similar funds	14,202	8,361	--	22,563
- Bonds	--	--	--	--
- Other securities	--	10,867	--	10,867
Total securities (item 8.e.)	14,202	19,361	--	33,563
Other financial assets (item 8.f.)				
- Investment funds and similar funds	--	37,920	--	37,920
- Insurance policies	--	238,960	--	238,960
Total other financial assets (item 8.f.)	--	276,880	--	276,880
CURRENT LIABILITIES				
<i>Financial liabilities</i>				
<i>(measured at fair value through equity)</i>				
Other loans and borrowings (item 11.b.)				
- derivatives	--	(1,240)	--	(1,240)
<i>Financial liabilities</i>				
<i>(measured at fair value through profit or loss)</i>				
Other loans and borrowings (item 11.b.)				
- derivatives	--	(97)	--	(97)

During the year, after receiving more analytical information from insurance counterparties, capitalisation policies (so-called Class I) were transferred from level 3 to level 2 of the fair value hierarchy, for a total of € 127,805 thousand.

In detail, financial assets classified as level 3 refer for € 134 thousand to venture capital investments held by CIR International S.A., for investments in companies operating in the IT and communications sector and for € 2,000 thousand to the investment made by CIR S.p.A. in Lendix S.A. during the first half of 2018.

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>Current assets Other financial assets</i>	<i>Non-current assets Other financial assets</i>	<i>Hedges</i>
Opening balance at 01/01/2018	--	127,805	134	--
Increases				
- Purchases	--	--	2,000	--
- Gains recognised to:				
Income statement (1)	--	--	--	--
- of which gains	--	--	--	--
Transferred from other levels	--	(127,805)	--	--
Other increases	--	--	--	--
Reclassifications	--	--	--	--
Decreases				
- Sales	--	--	--	--
- Repayments	--	--	--	--
- Losses recognised to:				
Income statement (2)	--	--	--	--
- of which losses	--	--	--	--
Transferred to other levels	--	--	--	--
Other decreases	--	--	--	--
Closing balance at 31/12/2018	--	--	2,134	--

(1-2) 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 on financial assets*

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

Category of financial assets and liabilities at 31 December 2018	IFRS 9 Classification	IFRS 9 Carrying amount
NON-CURRENT ASSETS		
OTHER EQUITY INVESTMENTS	Fixed asset, FVTOCI no recycling	12,525
OTHER RECEIVABLES	Fixed asset, amortised cost	50,655
OTHER FINANCIAL ASSETS	FVTPL	75,469
CURRENT ASSETS		
TRADE RECEIVABLES	Amortised cost, expected loss for counterparty risk	420,969
OTHER RECEIVABLES	Amortised cost, expected loss for counterparty risk	79,283
LOANS RECEIVABLE	Amortised cost, expected loss for counterparty risk	25,773
SECURITIES	FVTPL	33,563
OTHER FINANCIAL ASSETS	FVTPL	276,880
CASH AND CASH EQUIVALENTS	Amortised cost, expected loss for counterparty risk	247,790
NON-CURRENT LIABILITIES		
BONDS	Amortised cost	270,254
OTHER LOANS AND BORROWINGS	Amortised cost	365,004
CURRENT LIABILITIES		
BANK LOANS AND BORROWINGS	Amortised cost	13,046
BONDS	Amortised cost	113,801
OTHER LOANS AND BORROWINGS	Amortised cost	144,874
TRADE PAYABLES	Amortised cost	497,420

CREDIT RISK

(in thousands of euro)

Situation at 31 December 2018	Items	Total	Not yet due	Past due by >
Other receivables – (non-current assets) (*)	7.f.	25,161	13,996	11,165
Gross receivable		35,090	14,282	20,808
Loss allowance		(9,929)	(286)	(9,643)
Trade receivables	8.b.	420,969	296,522	124,447
Gross receivable		469,653	302,112	167,541
Loss allowance		(48,684)	(5,590)	(43,094)
Other receivables – (current assets) (**)	8.c.	43,731	43,731	--
Gross receivable		50,795	47,030	3,765
Loss allowance		(7,064)	(3,299)	(3,765)
Total		489,751	354,139	135,612

0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Expired	Impairment losses
--	--	--	11,165	--	
--	--	--	20,808	--	
--	--	--	(9,643)	--	(450)
54,872	16,338	11,092	42,145	--	
60,820	16,923	11,570	78,228	--	
(5,948)	(585)	(478)	(36,083)	--	(6,809)
--	--	--	--	--	
--	--	--	3,765	--	
--	--	--	(3,765)	--	(981)
54,872	16,338	11,092	53,310	--	(8,240)

(*) € 25,494 thousand of tax receivables not included

(**) € 35,552 thousand of tax receivables not included

(in thousands of euro)

Situation at 31 December 2017	Items	receivable s	Not yet due	Past due by >
Other (non-current assets) (*)	7.f.	32,618	32,618	--
Gross receivable		41,811	41,373	438
Loss allowance		(9,193)	(8,755)	(438)
Trade receivables	8.b.	472,614	298,298	174,316
Gross receivable		518,901	307,773	211,128
Loss allowance		(46,287)	(9,475)	(36,812)
Other receivables – (current assets) (**)	8.c.	56,441	56,441	--
Gross receivable		62,834	59,669	3,165
Loss allowance		(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	Impairment losses
--	--	--	--	--	
--	--	--	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)

(*) € 24,256 thousand of tax asset not included

(**) € 48,766 thousand of tax asset not included

LOSS ALLOWANCE*(in thousands of euro)*

Situation at 31 December 2018	<i>Opening balance</i>	<i>Impairment losses</i>	<i>Uses</i>	<i>Exchange gains +/-</i>	<i>Business combinations +/-</i>	<i>Other changes</i>	<i>Closing balance</i>
Loss allowance	(61,873)	(8,240)	5,870	74	(322)	(1,186)	(65,677)

(in thousands of euro)

Situation at 31 December 2017	<i>Opening balance</i>	<i>Impairment losses</i>	<i>Uses</i>	<i>Exchange gains +/-</i>	<i>Business combinations +/-</i>	<i>Other changes</i>	<i>Closing balance</i>
Loss allowance	(84,019)	(8,011)	18,120	131	18,327	(6,421)	(61,873)

LIQUIDITY RISK - 2018

(in thousands of euro)	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <5 years	Total
Non-derivative financial liabilities							
Bonds	126,638	48,275	110,184	18,897	17,767	101,725	423,486
Other loans and borrowings:							
- Bank loans and borrowings	64,674	95,873	47,451	120,767	30,145	28,680	387,590
- Payables to lease companies	14,588	7,467	12,232	12,696	8,961	20,842	76,786
- Payables to other lenders	76,370	276	228	464	477	1,162	78,977
Bank loans and borrowings	13,731	--	--	--	--	--	13,731
Trade payables	497,420	--	--	--	--	--	497,420
Derivative financial liabilities							
Hedging derivatives	1,280	936	664	306	90		3,276
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	794,701	152,827	170,759	153,130	57,440	152,409	1,481,266

LIQUIDITY RISK - 2017

(in thousands of euro)	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <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:							
- Bank loans and borrowings	112,701	97,275	37,924	32,736	35,854	17,675	334,165
- Payables to lease companies	13,430	13,068	11,505	11,440	12,533	26,235	88,211
- Payables to other lenders	93,933	420	276	228	309	830	95,996
Bank loans and borrowings	18,138	--	--	--	--	--	18,138
Trade payables	513,928	--	--	--	--	--	513,928
Derivative financial liabilities							
Hedging derivatives	4,937	(953)	(936)	(664)	(306)	(90)	1,988
Non-hedging derivatives	--	--	--	--	--	--	--
TOTAL	784,354	135,445	196,784	149,378	66,638	160,724	1,493,323

20. Guarantees and commitments

At 31 December 2018 the position of guarantees and commitments was the following:

COFIDE

To back these loans, CIR shares have been pledged to lending institutions for a total carrying amount of € 335,278 thousand.

▪ CIR & financial holding companies

Commitments for private equity fund investments by CIR International for € 12.7 million.

▪ GEDI Group

At 31 December 2018 the group had outstanding commitments of € 24,113 thousand in relation to:

- contracts for the purchase of plants and other printing equipment for € 146 thousand;
- guarantees given by the Parent to the companies involved in the Group VAT return for € 19,396 thousand and guarantees given by Elemedia S.p.A. to third parties for € 369 thousand;
- other guarantees for € 4,202 thousand, which mainly relate to guarantees given by the Parent 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 2018 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 2018 the residual instalments amount to € 20,892 thousand, of which € 1,393 thousand due within one year. Against this contract, the company has gave a bank guarantee for € 1,617 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 2018 the residual instalments amount to € 10,144 thousand, of which € 660 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Filter Systems Maroc S.a.r.l. for the lease of the Tangier production site, for which the contract terminates in October 2028. At 31 December 2018 the residual instalments amount to € 8,818 thousand, of which € 793 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 contract expires in May 2027. At 31 December 2018 the remaining instalments amount to € 4,334 thousand, of which € 515 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Sogefi Air & Cooling Canada Corp. for the lease of the Montreal production site. The contract terminates in December 2021 and at 31 December 2018 the residual instalments amount to € 2,380 thousand, of which € 1,097 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 100% of the residual lease instalments;
- S.C. Sogefi Air & Cooling S.r.l. for the lease of the Tigesti production site. The contract expires in July 2028. The residual instalments at 31 December 2018 amount to € 3,588 thousand, of which € 339 thousand due within one year. The Group has not given any form of guarantee on this contract;
- 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 2018 the residual instalments amount to € 19,179 thousand, of which € 1,450 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 100% of the residual lease instalments.

Future lease payments under the Sogefi Group's operating lease contracts at 31 December 2018 are as follow:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Within 1 year	12,912	12,345
1-5 years	36,336	34,588
Over 5 years	38,618	37,592
Total	87,866	84,525

Investment commitments

At 31 December 2018 there are binding commitments for investments relating to the purchase of tangible assets of € 2,721 thousand.

Guarantees given

Details of these guarantees are as follows:

<i>(in thousands of euro)</i>	31.12.2018	31.12.2017
Guarantees given to third parties	4,661	7,210
Other unsecured guarantees given to third parties	2,690	2,541
Secured guarantees given for borrowings shown in the financial statements	1,116	2,130
Secured guarantees given for borrowings shown in the financial statements	1,116	2,130

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 Sogefi HD Suspensions Germany GmbH to the employees' pension fund of the two business divisions at the time of the acquisition in 1996; this commitment is covered by contractual obligations on the part of the vendor, which is a leading German company.

The secured guarantees relate exclusively to the subsidiaries Sogefi Air & Cooling Canada Corp. and Allevard IAI Suspensions Private Ltd which, for the loans obtained, have granted to the lenders secured guarantees over their property, plant and equipment and trade receivables.

Other risks

At 31 December 2018 the Sogefi group held assets belonging to third parties on its premises for € 15,247 thousand.

▪ KOS Group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. and/or other subsidiaries against loans of KOS S.p.A. for a total of € 20,244 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 € 19,842 thousand;
- a guarantee on behalf of Medipass S.r.l. and its subsidiaries for lease contracts worth € 131 thousand;
- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 thousand.

At 31 December 2018, other commitments and risks amounted to € 9,738 thousand, mainly related to:

- assets on free loan for € 3,013 thousand;
- guarantees issued by Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand;
- tenders for € 57 thousand;
- contractual commitments of around € 5,715 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 12 years and are generally renewable. Of the 51 care homes for the elderly in operation at the reporting date, 13 are owned, as well as 8 of the 34 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	31/12/2017	30,331	30,452	30,370	30,223	29,968	274,442
Residual property lease payments	31/12/2018	33,792	33,644	33,312	33,088	30,891	221,659

21. Segment disclosures

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

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

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

Economic and financial information by business segment is provided in the following pages, whereas details of revenue by geographical segment (secondary sector) can be found in Note 12.

An analysis of assets, investments, depreciation/amortisation and impairment losses by geographical segment area is shown in the following chart.

<i>(in thousands of euro)</i>	<i>Assets</i>	<i>Investments</i>	<i>Depr/amort. & impairment losses</i>
Italy	4,921,802	71,161	119,864
Other European countries	865,827	83,202	79,274
North America	165,972	20,686	19,022
South America	79,305	7,092	6,497
Asia	185,492	29,281	15,097
Consolidation adjustments	(2,657,534)	(108)	(35,369)
Total	3,560,864	211,314	204,385

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

(in millions of euro)

	2018											2017	
	Revenue	Costs of production	Other operating income & expense	Amortisation/ depreciation and impairment losses	Operating profit (loss)	Net financial income & expense	Dividends, net gains and losses on trading and the valuation of securities	Fair value gains on equity-accounted investments	Income taxes	Profit (loss) from discontinued operations	Non-controlling interests	Profit for the year	Loss for the year
COMBINED	(1)	(2)	(3)	(4)									
CONSOLIDATED													
SOGEFI Group	1,623.8	(1,414.6)	(19.2)	(128.1)	61.9	(23.9)	--	--	(20.7)	--	(12.8)	4.5	8.4
GEDI Group	648.7	(617.9)	2.2	(44.1)	(11.1)	(10.8)	(11.9)	0.7	1.1	--	23.7	(8.3)	(31.2)
KOS Group	544.9	(427.8)	(19.5)	(31.3)	66.3	(12.8)	--	--	(17.2)	--	(24.5)	11.8	9.6
Total for main subsidiaries	2,817.4	(2,460.3)	(36.5)	(203.5)	117.1	(47.5)	(11.9)	0.7	(36.8)	--	(13.6)	8.0	(13.2)
Other subsidiaries	--	(0.2)	0.1	--	(0.1)	--	--	--	--	--	0.1	--	(0.3)
Total industrial subsidiaries	2,817.4	(2,460.5)	(36.4)	(203.5)	117.0	(47.5)	(11.9)	0.7	(36.8)	--	(13.5)	8.0	(13.5)
CIR and other non-industrial subsidiaries	--	(13.5)	(1.0)	(0.8)	(15.3)	4.0	5.9	--	4.2	--	0.5	(0.7)	10.2

Cofide

Revenue	--										--	--	
Operating costs		(0.9)									(0.9)	(1.0)	
Other operating income & expense			(0.4)								(0.4)	(0.4)	
Amortisation, depreciation & impairment losses				(0.1)							(0.1)	(0.1)	
Operating loss					(1.4)								
Net financial expense						(0.9)					(0.9)	(0.9)	
Dividends and net gains (losses) from securities trading							(0.8)				(0.8)	2.8	
Fair value gains on equity-accounted investments								--			--	--	
Income taxes									0.3		0.3	(0.1)	
Profit (loss) from discontinued operations										--	--	--	
Total attributable to the owners of the Parent	2,817.4	(2,474.9)	(37.8)	(204.4)	100.3	(44.4)	(6.8)	0.7	(32.3)	--	(13.0)	4.5	(3.0)

- 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.

STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

(in millions of euro)	31.12.2018					31/12/2017 (*)			
	CONSOLIDATED	Non-current assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity	Equity attributable to non-controlling	Equity attributable to the owners of the Parent	Equity attributable to the owners of the Parent
COMBINED	(1)	(2)	(3)	(4)					
SOGEFI group	669.8	(91.6)	(103.9)	(260.5)	213.8	152.0	61.8	55.9	
GEDI Group	766.5	(153.9)	14.0	(103.2)	523.4	388.3	135.1	141.2	
KOS group	647.7	(19.9)	(70.7)	(259.4)	297.7	199.7	98.0	94.8	
Other subsidiaries	--	(0.4)	0.7	0.5	0.8	0.4	0.4	0.5	
Total industrial subsidiaries	2,084.0	(265.8)	(159.9)	(622.6)	1,035.7	740.4	295.3	292.4	
CIR and other non-industrial subsidiaries	18.5	70.8	(1.6)	325.5	413.2	179.8	233.4	240.4	
Cofide									
Non-current assets	1.1				1.1	1.1		1.1	
Other net non-current assets and liabilities		13.4			13.4	13.4		20.3	
Net working capital			(1.5)		(1.5)	(1.5)		(1.9)	
Net financial position				(25.9)	(25.9)	(25.9)		(31.1)	
Total attributable to the owners of the Parent	2,103.6	(181.6)	(163.0)	(323.0)	1,436.0	920.2	515.8	521.2	

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

1) This item is the sum of "intangible assets", "property, plant and equipment", "investment property", "equity-accounted investments" and "other equity investments" in the consolidated statement of financial position.

2) This item is the sum of "other receivables", "other financial assets" 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 in the consolidated statement of financial position. This item also includes "assets held for sale" and "liabilities held for sale" of the consolidated statement of financial position.

3) This item is the sum of "inventories", "contract work in progress", "trade receivables" and "other receivables" in current assets and "trade payables", "other payables" and "provisions for risks and charges" in current liabilities in the consolidated statement of financial position.

4) This item is the sum of "loans receivable", "securities", "other financial assets", and "cash and cash equivalents" under current assets, of "bonds" and "other loans and borrowings" under non-current liabilities and of "bank loans and borrowings", "bonds" and "other loans and borrowings" under current liabilities in the consolidated statement of financial position.

22. Joint ventures

The Group does not hold direct equity investments in joint ventures at 31 December 2018.

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>		31.12.2018	31.12.2017
A. Cash and bank deposits		247,790	263,065
B. Other cash equivalents		276,880	235,251
C. Securities held for trading		33,563	57,228
D. Cash and cash equivalents (A) + (B) + (C)		558,233	555,544
E. Current loans receivable		25,773	21,717
F. Current bank loans and borrowings	(*)	(65,824)	(118,604)
G. Bonds		(113,801)	(20,168)
H. Current portion of non-current debt		(92,096)	(95,136)
I. Other current loans and borrowings		--	--
J. Current financial indebtedness (F)+(G)+(H)+(I)		(271,721)	(233,908)
K. Current net financial position (J)+(E)+(D)		312,285	343,353
L. Non-current bank loans and borrowings	(**)	(304,733)	(211,709)
M. Bonds issued		(270,254)	(365,112)
N. Other non-current payables	(**)	(60,271)	(70,154)
O. Non-current financial indebtedness (L)+(M)+(N)		(635,258)	(646,975)
P. Net financial position (K)+(O)		(322,973)	(303,622)

(*) 52,778 thousand (€ 65,824 - € 13,046) is classified in the Statement of Financial Position under "Other loans and borrowings".

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

24. Disclosures regarding share-based payment plans

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

CIR - STOCK OPTION PLANS AT 31 DECEMBER 2018

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options matured during the period		Options in circulation at end of period			Options exercisable at end of period	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Average strike price	Average duration (years)	No. of options	Weighted average strike price
Extraordinary stock option plan - 2nd tranche	3.050.000	2,7344	-	-	-	-	3.050.000	2,7344	-	-	-	-	-
Extraordinary stock option plan - 3rd tranche	3.110.000	1,6806	-	-	-	-	3.110.000	1,6806	-	-	-	-	-
Extraordinary stock option plan - 4th tranche	2.203.500	1,0718	-	-	-	-	-	-	2.203.500	1,0718	0,25	2.203.500	1,0718
1st tranche 2009	1.924.800	0,9907	-	-	-	-	-	-	1.924.800	0,9907	0,75	1.924.800	0,9907
2nd tranche 2009	3.086.000	1,5449	-	-	-	-	-	-	3.086.000	1,5449	1,16	3.086.000	1,5449
1st tranche 2010	3.146.000	1,6208	-	-	-	-	-	-	3.146.000	1,6208	1,75	3.146.000	1,6208
2nd tranche 2010	3.068.000	1,4982	-	-	-	-	-	-	3.068.000	1,4982	2,16	3.068.000	1,4982
Total	19.588.300	1,6489	-	-	-	-	6.160.000	2,2024	13.428.300	1,3949	1,32	13.428.300	1,3949

CIR - STOCK GRANT PLANS AT 31 DECEMBER 2018

	Instruments outstanding at start of period		Instruments granted during the period		Instruments exercised during the period		Instruments matured during the period		Instruments outstanding at end of period			Instruments exercisable at end of period	
	No. of Units	Opening amount	No. of Units	Opening amount	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Opening amount	Average duration (years)	No. of Units	Opening amount
Stock Grant Plan 2014	1.661.574	1,1300	-	-	-	-	1.661.574	1,1300	-	-	-	-	-
Stock Grant Plan 2015	1.431.716	1,0916	13.200	1,0720	101.250	1,0916	-	-	1.343.666	1,0916	6,33	553.666	1,0916
Stock Grant Plan 2015 for the General Manager	1.000.000	1,0940	34.923	1,0720	-	-	-	-	1.034.923	1,0940	6,33	1.034.923	1,0940
Stock Grant Plan 2016	1.647.000	1,0587	2.521	1,0720	59.919	1,0587	-	-	1.589.602	1,0587	7,33	251.415	1,0587
Stock Grant Plan 2017	1.464.042	1,4359	-	-	-	-	-	-	1.464.042	1,4359	8,33	-	-
Stock Grant Plan 2018	-	-	2.073.486	0,8799	-	-	-	-	2.073.486	0,8799	9,33	-	-
Total	7.204.332	1,1632	2.124.130	0,8844	161.169	1,0794	1.661.574	1,1300	7.505.719	1,0936	7,76	1.840.004	1,0885

CIR S.p.A. - Stock Grant Plans

The stock grant plans involve the assignment free of charge 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 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 is € 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 is € 1.4359.
- On 27 April 2018 the Shareholders' Meeting approved the 2018 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the Parent and subsidiaries, for a maximum of 2,000,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing on a quarterly basis from 30 April 2020 to 31 January 2022. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company. A total of 1,036,743 time units were assigned during the year, whose maturity is subject to continued service, and 1,036,743 performance units, whose

maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts is € 1.0798.

The notional cost of the Plans for the year was € 1,794 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 SpA held on 22 April 2009 resolved to cancel the existing Phantom Stock Option Plans 2007 and 2008 (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, 2017 and 2018 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, 27 April 2017 and 26 April 2018 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 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 2018, in accordance with the regulation, there are 507,186 Time-based Units and 47,814 Performance Units have been exercised.

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 July 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 2018, in accordance with the regulation, there are 707,500 Time-based Units and 707,500 Performance Units outstanding.

Stock Grant Plan 2018

The Board of Directors of 26 April 2018, availing itself of the power delegated by the Shareholders' Meeting held on 26 April 2018, resolved to approve the 2018 stock grant plan, as proposed by the Appointments and Remuneration Committee, to be reserved for the Chief Executive Officer and General Manager of the Company and 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 2018, at the price of € 0.4401, a total of 1,865,000 units were allocated, divided between Time-based Units (932,500) and Performance Units (932,500). 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 April 2020.

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 2018, in accordance with the regulation, there are 932,500 Time-based Units and 932,500 Performance Units outstanding.

The chart below shows the stock option and stock grant plans of the Gedi Group.

GEDI GRUPPO EDITORIALE - STOCK OPTION PLANS AT 31 DECEMBER 2018

	Options in circulation at start of period		Options granted during the period		Options cancelled during the period		Options exercised during the period		Options in circulation at end of period			Options exercisable at end of period	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price
Extraordinary stock option plan 2009 - 2nd tranche	927,500	3.60	--	--	927,500	3.60	--	--	--	--	--	--	--
Extraordinary stock option plan 2009 - 3rd tranche	1,062,500	2.22	--	--	1,062,500	2.22	--	--	--	--	--	--	--
Extraordinary stock option plan 2009 - 4th tranche	598,100	1.37	--	--	--	--	--	--	598,100	1.37	0.25	598,100	1.37
Ordinary stock option plan 2009 - 1st tranche	338,850	1.00	--	--	--	--	--	--	338,850	1.00	0.75	338,850	1.00
Ordinary stock option plan 2009 - 2nd tranche	1,608,500	1.86	--	--	--	--	--	--	1,608,500	1.86	1.25	1,608,500	1.86
Ordinary stock option plan 2010 - 1st tranche	1,752,500	2.25	--	--	--	--	--	--	1,752,500	2.25	1.75	1,752,500	2.25
Ordinary stock option plan 2010 - 2nd tranche	1,586,900	1.58	--	--	--	--	--	--	1,586,900	1.58	2.25	1,586,900	1.58
Total	7,874,850	2.07	--	--	1,990,000	2.86	--	--	5,884,850	1.80	1.54	5,884,850	1.80

GEDI GRUPPO EDITORIALE - STOCK GRANT PLANS AT 31 DECEMBER 2018

	Units in circulation at start of period		Units granted during the period		Units cancelled/expired during the period		Units exercised during the period		Units in circulation at end of period		Units exercisable at end of period	
	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of options	Weighted average strike price
2011												
Time-based units	146,723	1.81	--	--	--	--	--	--	146,723	1.81	146,723	1.81
2012												
Time-based units	340,781	0.98	--	--	--	--	--	--	340,781	0.98	340,781	0.98
Performance-based units	138,927	0.98	--	--	--	--	--	--	138,927	0.98	138,927	0.98
2013												
Time-based units	262,819	0.83	--	--	--	--	--	--	262,819	0.83	262,819	0.83
Performance-based units	182,529	0.83	--	--	--	--	--	--	182,529	0.83	176,903	0.83
2014												
Time-based units	337,492	1.70	--	--	--	--	24,684	1.70	312,808	1.70	312,808	1.70
Performance-based units	541,252	1.70	--	--	490,000	1.70	--	--	51,252	1.70	--	--
2015												
Time-based units	469,682	1.24	--	--	--	--	72,380	1.24	397,302	1.24	331,719	1.24
Performance-based units	525,000	1.24	--	--	--	--	--	--	525,000	1.24	--	--
2016												
Time-based units	555,000	0.95	--	--	--	--	47,814	0.95	507,186	0.95	160,326	0.95
2017												
Time-based units	707,500	0.78	--	--	--	--	--	--	707,500	0.78	--	--
Performance-based units	707,500	0.78	--	--	--	--	--	--	707,500	0.78	--	--
2018												
Time-based units	--	--	932,500	0.44	--	--	--	--	932,500	0.44	--	--
Performance-based units	--	--	932,500	0.44	--	--	--	--	932,500	0.44	--	--

Sogefi S.p.A.

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

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

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

In addition to the one issued in 2018, the Group issued plans from 2009 to 2017, 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 23 April 2018, the Board of Directors implemented the 2018 stock grant plan (approved by Shareholders' Meeting of the same date for a maximum of 500,000 units) reserved for employees of the Company and its subsidiaries by granting them a total of 415,000 units (of which 171,850 Time-based units and 243,420 Performance Units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 23 July 2020 to 23 April 2022.

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

The fair value of the rights granted in 2018 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 € 1,202 thousand.

In particular, the input data used for the measurement of the fair value of the 2018 Stock Grant plan are summarised below:

- curve of EUR/GBP/SEK/CHF risk-free interest rates on 23 April 2018;
- prices of the underlying asset (i.e. the price of the Sogefi S.p.A. share on 23 April 2018, namely € 3.31) and of the securities in the benchmark basket, again posted on 23 April 2018;

- normal market prices of the Sogefi S.p.A. share and of the securities in the benchmark basket from 22 March 2018 to 22 April 2018, 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 23 April 2018;
- zero dividend yield for the valuation of the stock grant;
- time series of logarithmic yields on the securities concerned and the EUR GBP, EUR SEK and EUR CHF 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 23 April 2017 to 23 April 2018.

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 31 December 2018, 29,837 Time-based Units and 134,866 Performance Units have lapsed in accordance with the regulation; 291,325 Time-based Units and 298,333 Performance Units have been exercised.

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

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

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

At 31 December 2018, 82,374 Time-based Units and 596,630 Performance Units have lapsed in accordance with the regulation; 392,252 Time-based Units and 74,852 Performance Units have been exercised.

- 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 matured in quarterly tranches, i.e. 12.5% of the total, from 20 April 2015 to 31 January 2017.

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

At 31 December 2018, 256,954 Time-based Units and 608,924 Performance Units have lapsed in accordance with the regulation; 167,665 Time-based Units have been exercised.

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

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

At 31 December 2018, 109,543 Time-based Units and 219,196 Performance Units have lapsed in accordance with the regulation; 47,503 Time-based Units have been exercised.

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

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

At 31 December 2018, 56,102 Time-based Units and 75,212 Performance Units have lapsed in accordance with the regulation; 73,899 Time-based Units and 63,183 Performance Units have been exercised.

- 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.

At 31 December 2018, 68,041 Time-based Units and 88,744 Performance Units have lapsed in accordance with the regulation; 37,479 Time-based Units and 48,879 Performance Units have been exercised.

- 2017 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 287,144 units (of which 117,295 time-based units and 169,849 performance units).

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

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

At 31 December 2018, 13,802 Time-based units and 20,867 Performance Units have lapsed in accordance with the regulation.

The notional cost of the stock grant plans for 2018 is € 775 thousand.

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

	2018	2017
Not exercised/not exercisable at the start of the year	1,036,192	1,286,966
Granted in the year	415,000	287,144
Cancelled in the year	(129,295)	(357,662)
Exercised during the year	(212,470)	(180,256)
Not exercised/not exercisable at the end of the year	1,109,427	1,036,192
Exercisable at the end of the year	87,650	53,490

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

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

Stock Option Plans

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

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

- Stock Option Plan 2009 reserved for employees of Sogefi S.p.A. and its subsidiaries for a maximum of 2,335,000 shares (1.94% of share capital at 31 December 2018) with a strike price of € 1.0371, exercisable from 30 September 2009 to 30 September 2019;
- 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 2018) 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:

	2018		2017	
	No. of options	Average strike price	No. of options	Average strike price
Not exercised/not exercisable at the start of the year	285,000	1.91	2,254,737	2.77
Assigned during the year	--	--	--	--
Cancelled during the year	(40,000)	1.67	(1,338,200)	3.29
Exercised during the year	(130,000)	1.95	(631,537)	2.06
Matured during the year	(40,000)	2.10	--	--
Not exercised/not exercisable at the end of the year	75,000	1.88	285,000	1.91
Exercisable at the end of the year	75,000	1.88	285,000	1.91

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

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

The following table shows the breakdown of the number of options exercisable at 31 December 2018:

No. of options outstanding and exercisable at 31 December 2017	285,000
Options vested during the year	--
Options cancelled during the year	(40,000)
Options exercised during the year	(130,000)
Options matured during the year	(40,000)
No. of options outstanding and exercisable at 31 December 2018	75,000

KOS

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

Exercising the options is subject to specific time limits for the duration of the relationship or 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 2018

	<i>Options in circulation at start of period</i>		<i>Options granted during the period</i>		<i>Options exercised during the period</i>		<i>Options expired during the period</i>		<i>Options in circulation at end of period</i>			<i>Options exercisable at end of period</i>		<i>Expiry date</i>	
	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>Number</i>	<i>Weighted average strike price</i>	<i>Average duration (years)</i>	<i>No. of options</i>	<i>Weighted average strike price</i>	<i>Vesting date</i>	<i>Expiry date</i>
Stock Option Plan '10 rev	1,661,083	3.38	--	--	--	--	--	--	1,661,083	3.05	14.40	1,661,083	3.05	31/12/2014	17/05/2033
Stock Option Plan '16	1,500,000	7.26	--	--	--	--	5,000	7.26	1,495,000	7.17	14.40	--	--	17/05/2023	17/05/2033
Total	3,161,083	5.22	--	--	--	--	5,000	7.26	3,156,083	5.00	14.40	1,661,083	3.05		

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 Group

As already extensively illustrated in the financial statements at 31 December 2017, GEDI Gruppo Editoriale S.p.A., while reiterating its conviction as to the legality of the transaction being challenged by the Tax Authorities, decided to take advantage of the possibility offered by the Decree to settle the dispute.

For the Company, this decision meant paying a total of € 175.3 million, of which € 140.2 million was paid in 2017, while the other € 35.1 million was paid on 2 July 2018 as required by law. The provision for risks relating to the question of the beneficial interests involved in the dispute was already reduced in 2017 by € 20.8 million. The value of the provision for risks at 31 December 2018 came to € 14.7 million.

On 21 March 2018, GEDI Gruppo Editoriale S.p.A. was informed of criminal proceedings for alleged participation in the offence envisaged by art. 640, paragraph 2, no. 1 of the Italian Criminal Code against the Chief Executive Officer, the Central Director of Human Resources and the General Manager of the National Press, as well as for the offence referred to in art. 24 of Italian Legislative Decree 231/2001 (as the result of an offence committed by certain individuals in the interest or to the advantage of the entity) against the Company and some of its subsidiaries.

The investigation conducted by the Rome Public Prosecutor's Office concerns an alleged fraud against INPS in relation to the allegedly irregular access to redundancy payments (CIGS) by some employees during the period from 2012 to 2015 wanting to obtain early retirement as provided for by Law 416/81.

The Company was convinced that it was in compliance with current legislation, which is also corroborated by internal audits aimed at examining compliance with the procedure provided for by the relevant legislation and by an authoritative labour law opinion, so the company retains that, for the time being, it is not in the condition to objectively assess the specific conduct that allegedly would complement the hypotheses of crime, nor the number of former employees who would have illegitimately had access to early retirement, nor consequently any tax evasion to be compensated. 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.

We would emphasise that to date no legal action has been taken against the companies concerned nor against their current directors or employees.

In any case, all the controls deemed useful or appropriate for the protection of its own interests have been prepared and consequently assuming all the consequent risks of the Company and those of its own exponents, also in compliance with the regulations for less significant transactions with related parties, if required.

SOGEFI Group

In October 2016, Sogefi S.p.A. received four notices of assessment relating to the tax years 2011 and 2012, following a tax audit in the first half of 2016, containing the following two observations: i) undue deduction of € 0.6 million of VAT paid on goods and services, ii) undue deduction for IRES

purposes (and related non-deductible VAT of € 0.2 million) in costs for services rendered by the Parent CIR S.p.A. for a total taxable amount of € 1.3 million, plus interest and penalties.

The notices have already been appealed before the Mantua Provincial Tax Commission, which, on 14 July 2017, issued ruling 119/02/2017 that was entirely favourable to the Company.

The sentence was partially appealed by the Tax Authorities, which requested confirmation only of the assessments notified for VAT purposes, definitively renouncing the assessment notices issued for IRES purposes. The Company presented counter-arguments against this partial appeal and is waiting for the hearing to be scheduled.

The Directors, backed by the professional opinion of the Company's tax consultant, consider that the risk of losing is possible, but not probable.

For this reason, the Company has not recorded any related tax provisions in the interim financial statements at 31 December 2018.

26. Other information

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

The following table, drawn up pursuant to art. 149-duodecies of Consob's Issuers Regulation, shows the fees pertaining to the year for auditing and non-audit services rendered by KPMG S.p.A. and by other firms belonging to its network:

<i>(in thousands of euro)</i>	<i>2018</i>
<i>Charged to the Parent:</i>	
a) by the independent auditors for auditing services	55
b) by the independent auditors:	
- for other services	5
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	2,581
b) by the independent auditors:	
- for other services	139
c) by network partners of the independent auditors for other services	24

KEY FIGURES ON THE PARENT FRATELLI DE BENEDETTI S.p.A.

Cofide S.p.A. is managed by Fratelli De Benedetti S.p.A. (art. 2497-bis of the Italian Civil Code); attachment 2 to the separate financial statements contains the key figures of the parent concerning the financial statements as at 31 December 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

After the end of the year, GEDI received a non-binding offer (indirectly through the other shareholder TIM S.p.A.) for the purchase of Persidera S.p.A., of which it own 30%. The bidder WAS granted an exclusive period during which to carry out the assessments needed to make a binding offer. In consideration of the above, there are currently no elements, also in the absence of a binding offer, to consider the sale of the investment highly probable in the short term.

On 11 March the Boards of Directors of CIR-Compagnie Industriali Riunite S.p.A. and COFIDE S.p.A. examined and approved the plan for the merger absorption of the subsidiary CIR into the parent COFIDE.

The Merger aims to achieve the following main objectives:

- to shorten the chain of control with respect to the operating companies, placing itself in line with international best practice, as well as with market expectations and those of the regulatory authorities;
- to create a Company with a larger float, both in terms of percentage of capital and in absolute value, leading to greater ease in trading the shares and their attractiveness for investors;
- to reduce operating costs relating to the maintenance of two listed holding companies and simplify the shareholding structure and the corporate governance structure, generating synergies for the benefit of all shareholders as a result.

The income and equity profile of the entity resulting from the merger will substantially reflect that of CIR, and in particular the Merger will not alter the net financial position, and therefore the investment capacity currently held by CIR, nor the management policy of the investment portfolio.

The exchange ratio has been set at 2.01 COFIDE shares for each CIR share.

The merger plan was prepared on the basis of the draft financial statements at 31 December 2018 of COFIDE and CIR, as approved by the respective Boards of Directors on the same date and used as a merger balance sheet for the purposes of art. 2501-quater of the Italian Civil Code.

To service the share exchange, COFIDE will increase its share capital by a maximum nominal amount of € 281,364,327 by issuing a maximum of 562,728,654 new ordinary shares with a nominal amount of € 0.50 each, in application of the Exchange Ratio. Furthermore, in the context of the Merger, the CIR ordinary shares owned by COFIDE will be cancelled without exchange on the date of completion of the Merger, as will the treasury shares held by CIR on the same date.

The COFIDE shares that will be issued and assigned in exchange to the CIR shareholders will have the same dividend date as that of the COFIDE ordinary shares in circulation on the effective date of the Merger and will give their holders rights equivalent to those of the holders of ordinary shares of the absorbing company in circulation at the time of assignment.

The newly issued shares of the merging company assigned in exchange will be listed in the same way as the COFIDE ordinary shares already in circulation and they will be subject to centralised management by Monte Titoli S.p.A. under the paperless regime, in accordance with the law.

The Merger will take effect for statutory purposes from the date of the last registration with the Milan Companies Register prescribed by art. 2504-bis of the Italian Civil Code, or from a later date indicated in the merger deed. For accounting purposes, the transactions carried out by CIR will be recognised in the financial statements of COFIDE from 1 January of the year in which the statutory effects of the Merger take place. The effects for tax purposes will also run from the same date.

Completion of the Merger is subject to approval by the Extraordinary Shareholders' Meetings of the two Companies, and to the occurrence or the waiver, if allowed, of the following conditions:

- (i) completion of the trade union information and consultation procedure pursuant to art. 47 of Law 428 dated 29 December 1990, as amended;
- (ii) failure to receive, by the effective date of the Merger, communications from the Presidency of the Council of Ministers regarding the exercise of vetoes and/or findings and/or the affixing of conditions regarding the Merger, pursuant to Decree Law 21 of 15 March 2012, converted with Law 56 of 11 May 2012, on "Rules on special powers on corporate structures in the defence and national security sectors, as well as for activities of strategic importance in the energy, transport and communications sectors" and the related implementing provisions;

- (iii) issuance by Borsa Italiana S.p.A. of admission to trading on the MTA of the ordinary shares of the merging company issued to service the Merger;
- (iv) if required under the legislation in force at the time, issuance of the opinion of equivalence by the National Commission for the Company and the Stock Exchange pursuant to art. 57, paragraph 1, letter d) of the Regulation approved by Consob resolution 11971/99 (the "Issuers' Regulation") in relation to the information document that will be prepared by the Companies pursuant to art. 57 of the Issuers' Regulation;
- (v) non-occurrence, by the effective date of the Merger, of one or more events or circumstances that produce a negative effect on the activities, legal relationships, liabilities and/or operating results of the Companies to a significant extent and, in any case, such as to alter the risk profile or the valuations used to determine the exchange ratio;
- (vi) issuance of approval of the Merger under existing loan agreements by the lending banks of the Companies and of their respective subsidiaries.

COFIDE and CIR will present a joint petition to the Court of Milan for the appointment of an expert to issue a report on the fairness of the exchange ratio pursuant to article 2501-sexies of the Italian Civil Code.

It is envisaged that the Extraordinary Shareholders' Meetings for the approval of the Merger plan can be held by 30 June 2019, after publication of the information required by the regulations.

Any approval of the Merger resolution by the Shareholders' Meetings of the Companies will not give rise to any assumption of a right of withdrawal in favour of the respective shareholders, pursuant to art. 2437 of the Italian Civil Code or other legal provisions, given that both companies participating in the Merger act as holding companies for investments and interests in any economic-industrial sector with shares listed on a regulated market.

COFIDE and CIR are related parties, the former being the parent of the latter and both being directly and indirectly subject to the control of Fratelli De Benedetti S.p.A. It should also be noted that Fratelli De Benedetti S.p.A. exercises management control and coordination over COFIDE which, in turn, does the same for CIR. Lastly, please note that Messrs. Rodolfo, Marco and Edoardo De Benedetti are members of the Board of Directors of COFIDE and CIR and Rodolfo De Benedetti chairs both companies.

The Board of Directors of COFIDE has applied to the Merger, on a voluntary basis, the rules envisaged by the OPC Procedure in relation to transactions with related parties "of greater importance", even though they believe that the Merger falls within the scope of the exemption contained in art. 14 of Consob Regulation approved with resolution no. 17221 of 12 March 2010 and in art. 4.3 of the OPC Procedure, as it is being carried out with a subsidiary in which there are no significant interests of other related parties. The Operation was unanimously approved by the Board of Directors of COFIDE, subject to the favourable opinion of the Related Parties Committee.

The Board of Directors of CIR has applied to the Merger the rules envisaged by the OPC Procedure regarding transactions with related parties "of greater importance". The Operation was unanimously approved by the Board of Directors, subject to the favourable opinion of the Related Parties Committee.

COFIDE and CIR will make available to the public the information document required by article 5 of the Regulation on transactions with related parties adopted by Consob.

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, OF LAW 124 OF 4 AUGUST 2017

During 2018, subsidiaries that receive the types of government grants referred to in this law have made suitable disclosures in their financial statements.

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

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

The company that prepares the consolidated financial statements for the smallest group of companies of which the company is a subsidiary is 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 of COFIDE S.p.A., its subsidiaries, also joint ventures, and its associates;
- the subsidiary entities (whose relationships are eliminated in the consolidation process), jointly controlled and the associated entities of COFIDE S.p.A.;
- individuals with strategic responsibilities, their close family members and any companies directly or indirectly controlled by them or subject to joint control or significant influence.

Transactions with the subsidiary CIR S.p.A. consisted of 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 specific knowledge of the Group's business activities.

It should also be noted that COFIDE S.p.A. has entered into a lease 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, not part of its 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:

CONSOLIDATED INCOME STATEMENT

	<i>Sales revenue</i>	<i>Costs for the purchase of goods</i>	<i>Costs for services</i>	<i>Other operating expense</i>	<i>Other operating income</i>	<i>Financial income</i>	<i>Financial expense</i>	<i>Dividends</i>
<i>(in thousands of euro)</i>								
Parents	--	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	--	2	--	--
Associates	--	--	(3,163)	--	1,720	--	--	--
Joint ventures	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	118	--	--	--
Total	--	--	(3,163)	--	1,838	2	--	--

STATEMENT OF FINANCIAL POSITION

	<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>
<i>(in thousands of euro)</i>						
Parents	--		--	--	--	--
Subsidiaries	--	--	--	--	9	--
Associates	--	690	105	--	2,229	--
Joint ventures	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--
Total	--	690	105	--	2,238	--

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
PURSUANT TO ART. 154 BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE NO. 58/1998

1. The undersigned, Rodolfo De Benedetti, the Chairman, and Giuseppe Gianoglio, the executive responsible for the preparation of the accounting documents 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:
 - adequacy, in relation to the characteristics of the company e
 - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2018 .
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, financial performance and cash flows of the issuer and of the 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, 11 March 2019

Signed by

Rodolfo De Benedetti
Chairman

Giuseppe Gianoglio
Executive responsible for the preparation
of the company's accounting documents

COFIDE

Separate financial statements

at 31 December 2018

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	31.12.2018	31.12.2017
NON-CURRENT ASSETS		588,558,471	595,811,033
PROPERTY, PLANT AND EQUIPMENT	5.a.	274,450	328,968
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.	121,285	120,227
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5.f.	13,489,470	20,688,572
CURRENT ASSETS		12,325,600	12,302,994
OTHER RECEIVABLES	6.a.	510,496	421,614
<i>of which with related parties (*)</i>		253,845	171,971
SECURITIES	6.b.	8,493,950	10,300,719
CASH AND CASH EQUIVALENTS	6.c.	3,321,154	1,580,661
TOTAL ASSETS		600,884,071	608,114,027
<hr/>			
LIABILITIES		31.12.2018	31.12.2017
EQUITY		560,983,664	562,181,679
SHARE CAPITAL	7.a.	347,522,932	350,010,680
RESERVES	7.b.	160,933,811	170,408,553
RETAINED EARNINGS	7.c.	41,447,662	27,607,103
PROFIT FOR THE YEAR		11,079,259	14,155,343
NON-CURRENT LIABILITIES		37,901,424	548,528
OTHER BORROWINGS	8.a.	37,701,279	--
OTHER PAYABLES	8.b.	34,582	34,582
DEFERRED TAX LIABILITIES	8.c.	165,563	513,946
EMPLOYEE BENEFIT OBLIGATIONS	8.d.	--	--
CURRENT LIABILITIES		1,998,983	45,383,820
OTHER LOANS AND BORROWINGS	9.a.	--	43,025,653
TRADE PAYABLES	9.b.	401,193	777,451
<i>of which with related parties (*)</i>		--	122,000
OTHER LIABILITIES	9.c.	1,597,790	1,580,716
TOTAL LIABILITIES AND EQUITY		600,884,071	608,114,027

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

2. Income statement

(in euro)

	Notes	2018	2017
SUNDRY REVENUE AND INCOME	10	128,661	119,113
<i>of which with related parties (*)</i>		85,000	85,000
COST FOR THE PURCHASE OF GOODS	11	(1,877)	(3,698)
COST FOR SERVICES	12	(941,528)	(976,535)
<i>of which from related parties (*)</i>		(122,000)	(122,000)
PERSONNEL COSTS	13	--	--
OTHER OPERATING EXPENSE	14	(540,261)	(469,129)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	15	(54,518)	(55,250)
OPERATING LOSS		(1,409,523)	(1,385,499)
FINANCIAL INCOME	16	13,437	2,705
FINANCIAL EXPENSE	17	(881,860)	(929,759)
DIVIDENDS	18	13,823,304	13,823,304
<i>of which from related parties (*)</i>		13,823,304	13,823,304
GAINS FROM TRADING SECURITIES	19	386,156	3,239,091
LOSSES FROM TRADING SECURITIES	20	(331,300)	(117,016)
FAIR VALUE GAIN (LOSSES) ON FINANCIAL ASSETS	21	(869,338)	(366,785)
PROFIT (LOSS) BEFORE TAXES		10,730,876	14,266,041
INCOME TAXES	22	348,383	(110,698)
PROFIT FROM CONTINUING OPERATIONS		11,079,259	14,155,343
POFIT/ (LOSS) FROM DISCONTINUED OPERATIONS		--	--
PROFIT FOR THE YEAR		11,079,259	14,155,343
BASIC EARNINGS (LOSS) PER SHARE (in euro)	23	0.0159	0.0200
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	23	0.0159	0.0200

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

3. Statement of comprehensive income

(in euro)

	2018	2017
PROFIT FOR THE YEAR	11,079,259	14,155,343
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
Tax effect of items that may subsequently be reclassified to profit or loss	--	(363,926)
Sub-total of items that may subsequently be reclassified to profit or loss	--	7,217,869
COMPREHENSIVE INCOME	11,079,259	21,373,212
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0159	0.0302
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0159	0.0302

4. Statement of cash flows

(in euro)

	2018	2017
OPERATING ACTIVITIES		
NET INCOME (LOSS) FOR THE YEAR	11,079,259	14,155,343
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	54,518	55,250
ALLOCATION TO PERSONNEL PROVISIONS, NET OF USE	(348,383)	--
LOSSES/(GAINS) ON SALE OF CURRENT SECURITIES	321,918	(1,772,763)
NET FAIR VALUE GAINS ON FINANCIAL ASSETS	869,338	366,785
(INCREASE) DECREASE IN NET WORKING CAPITAL	(448,066)	(454,524)
CASH FLOWS FROM OPERATING ACTIVITIES	11,528,584	12,350,091
INVESTING ACTIVITY		
CHANGE IN TANGIBLE ASSETS AND INVESTMENT PROPERTY	--	--
CHANGE IN INVESTMENTS IN SUBSIDIARIES	--	--
CHANGE IN OTHER CAPITALISED RECEIVABLES	(1,058)	(1,058)
NET CHANGE IN CURRENT SECURITIES	7,754,792	(166,428)
CASH FLOWS USED IN INVESTING ACTIVITIES	7,753,734	(167,486)
FINANCING ACTIVITY		
CHANGE IN OTHER BORROWINGS	(5,324,374)	6,029,806
NET CHANGE IN CURRENT SECURITIES	59,823	2,370,688
PURCHASE OF TREASURY SHARES	(2,476,975)	(11,363,845)
DIVIDENDS PAID	(9,800,299)	(10,068,939)
CASH FLOWS USED IN FINANCING ACTIVITIES	(17,541,825)	(13,032,290)
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	1,740,493	(849,685)
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	1,580,661	2,430,346
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	3,321,154	1,580,661

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 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)	--
Fair value gains(losses) on treasury share transactions	--	(9,594,279)	(9,594,279)	--	--	--	9,594,279	--	(11,363,845)	--	--	(11,363,845)
<i>Comprehensive income(expense)</i>												
Fair value loss on securities	--	--	--	--	--	--	--	7,217,869	--	--	--	7,217,869
Profit for the year	--	--	--	--	--	--	--	--	--	--	14,155,343	14,155,343
<i>Comprehensive income(expense)</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
Adjustments on FTA of IFRS 15 net of tax	--	--	--	--	--	--	--	(10,193,282)	--	10,193,282	--	--
BALANCE RESTATED AT 31 DECEMBER 2018	359,604,959	(9,594,279)	350,010,680	5,044,115	23,584,429	42,975	9,594,279	--	121,949,473	37,800,385	14,155,343	562,181,679
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	--	(9,800,299)	(9,800,299)
Retained earnings	--	--	--	--	707,767	--	--	--	--	3,647,277	(4,355,044)	--
Adjustment for treasury share transactions	--	(2,487,748)	(2,487,748)	--	--	--	2,487,748	--	(2,476,975)	--	--	(2,476,975)
<i>Comprehensive income(expense) for the year</i>												
Fair value gains on securities	--	--	--	--	--	--	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	--	--	--	--	11,079,259	11,079,259
<i>Comprehensive income</i>	--	--	--	--	--	--	--	--	--	--	11,079,259	11,079,259
BALANCE AT 31 DECEMBER 2018	359,604,959	(12,082,027)	347,522,932	5,044,115	24,292,196	42,975	12,082,027	--	119,472,498	41,447,662	11,079,259	560,983,664

6. Notes to the separate financial statements

1. Basis of preparation

These separate financial statements of the Parent Cofide S.p.A., have been prepared in accordance with international financial reporting standards (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 prepared on the basis of the principle of historical cost, modified as required for the measurement of certain financial instruments, in compliance with the accruals concept and on the assumption that the Company is a going concern. 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 presentation criteria adopted are as follows:

the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;

the income statement is shown by type of expenditure;

the statement of comprehensive income shows the income items that are deferred in equity;

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

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

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

Significant events after the reporting date

On 11 March the Boards of Directors of CIR-Compagnie Industriali Riunite S.p.A. and COFIDE S.p.A. examined and approved the plan for the merger of the subsidiary CIR into the parent COFIDE.

The Merger aims to achieve the following main objectives:

- to shorten the chain of control with respect to the operating companies, placing itself in line with international best practice, as well as with market expectations and those of the regulatory authorities;
- to create a Company with a larger float, both in terms of percentage of capital and in absolute value, leading to greater ease in trading the shares and their attractiveness for investors;
- to reduce operating costs relating to the maintenance of two listed holding companies and simplify the shareholding structure and the corporate governance structure, generating synergies for the benefit of all shareholders as a result.

The income and equity profile of the entity resulting from the merger will substantially reflect that of CIR, and in particular the Merger will not alter the net financial position, and therefore the investment capacity currently held by CIR, nor the management policy of the investment portfolio.

The exchange ratio has been set at 2.01 COFIDE shares for each CIR share.

The merger plan was prepared on the basis of the draft financial statements at 31 December 2018 of COFIDE and CIR, as approved by the respective Boards of Directors on the same date and used as a merger statement of financial position for the purposes of art. 2501-quater of the Italian Civil Code.

To service the share exchange, COFIDE will increase its share capital by a maximum nominal amount of € 281,364,327 by issuing a maximum of 562,728,654 new ordinary shares with a nominal amount of € 0.50 each, in application of the Exchange Ratio. Furthermore, in the context of the Merger, the CIR ordinary shares owned by COFIDE will be cancelled without exchange on the date of completion of the Merger, as will the treasury shares held by CIR on the same date.

The COFIDE shares that will be issued and assigned in exchange to the CIR shareholders will have the same dividend date as that of the COFIDE ordinary shares in circulation on the effective date of the Merger and will give their holders rights equivalent to those of the holders of ordinary shares of the merging company in circulation at the time of assignment.

The newly issued shares of the merging company assigned in exchange will be listed in the same way as the COFIDE ordinary shares already in circulation and they will be subject to centralised management by Monte Titoli S.p.A. under the paperless regime, in accordance with the law.

The Merger will take effect for statutory purposes from the date of the last registration with the Milan Companies Register prescribed by art. 2504-bis of the Italian Civil Code, or from a later date indicated in the merger deed. For accounting purposes, the transactions carried out by CIR will be recognised in the financial statements of COFIDE from 1 January of the year in which the statutory effects of the Merger take place. The effects for tax purposes will also run from the same date.

Completion of the Merger is subject to approval by the Extraordinary Shareholders' Meetings of the two Companies, and to the occurrence or the waiver, if allowed, of the following conditions:

- (i) completion of the trade union information and consultation procedure pursuant to art. 47 of Law 428 dated 29 December 1990, as amended;
- (ii) failure to receive, by the effective date of the Merger, communications from the Presidency of the Council of Ministers regarding the exercise of vetoes and/or findings and/or the affixing of conditions regarding the Merger, pursuant to Decree Law 21 of 15 March 2012, converted with Law 56 of 11 May 2012, on "Rules on special powers on corporate structures in the defence and national security sectors, as well as for activities of strategic importance in the energy, transport and communications sectors" and the related implementing provisions;
- (iii) issuance by Borsa Italiana S.p.A. of admission to trading on the MTA of the ordinary shares of the Absorbing Company issued to service the Merger;
- (iv) if required under the legislation in force at the time, issuance of the opinion of equivalence by the National Commission for the Company and the Stock Exchange pursuant to art. 57, paragraph 1, letter d) of the Regulation approved by Consob resolution 11971/99 (the "Issuers' Regulation") in relation to the information document that will be prepared by the Companies pursuant to art. 57 of the Issuers' Regulation;
- (v) non-occurrence, by the effective date of the Merger, of one or more events or circumstances that produce a negative effect on the activities, legal relationships, liabilities and/or operating results of the Companies to a significant extent and, in any case, such as to alter the risk profile or the valuations used to determine the Exchange Ratio;
- (vi) issuance of approval of the Merger under existing loan agreements by the lending banks of the Companies and of their respective subsidiaries.

COFIDE and CIR will present a joint petition to the Court of Milan for the appointment of an expert to issue a report on the fairness of the exchange ratio pursuant to article 2501-sexies of the Italian Civil Code.

It is envisaged that the Extraordinary Shareholders' Meetings for the approval of the Merger plan can be held by 30 June 2019, after publication of the information required by the regulations.

Any approval of the Merger resolution by the Shareholders' Meetings of the Companies will not give rise to any assumption of a right of withdrawal in favour of the respective shareholders, pursuant to art. 2437 of the Italian Civil Code or other legal provisions, given that both companies participating in the Merger act as holding companies for investments and interests in any economic-industrial sector with shares listed on a regulated market.

COFIDE and CIR are related parties, the former being the parent of the latter and both being directly and indirectly subject to the control of Fratelli De Benedetti S.p.A. It should also be noted that Fratelli De Benedetti S.p.A. exercises management control and coordination over COFIDE which, in turn, does the same for CIR. Lastly, please note that Messrs. Rodolfo, Marco and Edoardo De Benedetti are members of the Board of Directors of COFIDE and CIR and Rodolfo De Benedetti chairs both companies.

The Board of Directors of COFIDE has applied to the Merger, on a voluntary basis, the rules envisaged by the OPC Procedure in relation to transactions with related parties "of greater importance", even though they believe that the Merger falls within the scope of the exemption contained in art. 14 of Consob Regulation approved with resolution no. 17221 of 12 March 2010 and in art. 4.3 of the OPC Procedure, as it is being carried out with a subsidiary in which there are no significant interests of other related parties. The Operation was unanimously approved by the Board of Directors of COFIDE, subject to the favourable opinion of the Related Parties Committee.

The Board of Directors of CIR has applied to the Merger the rules envisaged by the OPC Procedure regarding transactions with related parties "of greater importance". The Operation was unanimously approved by the Board of Directors, subject to the favourable opinion of the Related Parties Committee.

COFIDE and CIR will make available to the public the information document required by article 5 of the Regulation on transactions with related parties adopted by Consob.

Publication of the financial statements was authorised by the Company's Board of Directors on 11 March 2019 (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 2018 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 measured 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 amount of intangible assets is maintained to the extent that there is evidence that this amount 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 tested for impairment.

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

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

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

2.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.

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

Given the homogeneity of the assets included in the individual categories of fixed assets, it is considered that their useful life is represented by the following rates:

	Rate
Buildings used for operating purposes	3%
Motor vehicles	25%
Electronic office equipment	20%
Furniture and fittings	15%
Alarm systems	30%
Telephone systems	20%
Assets that can be depreciated in one year	100%

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.

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 amounts and the carrying amount, the asset is impaired; if subsequently the reasons for the impairment no longer apply, the impairment loss is reversed. Impairment losses 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 model to be applied to all investment property held. Under the cost model, the amount is measured net of depreciation and any impairment losses.

At the time of disposal, or if the asset is not used on a permanent basis, any resulting income or costs must be charged to the income statement.

2.d. Impairment of intangible assets and property, plant and equipment (IAS 36)

At least once a year the Company verifies the recoverability of the carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment. If such evidence exists, the carrying amount of the assets is reduced to its recoverable amount.

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

In detail, during impairment testing of the value 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 amount 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 to 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 assets is reversed by up to the new estimated recoverable amount, but cannot exceed the value which would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately in profit or loss.

2.e. Investments in subsidiaries and associates (IFRS 10, IAS 27 and IAS 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 present 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.

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, it is reversed in the income statement to the extent of the investments cost.

2.f. Other equity investments (IFRS 9)

Equity investments in other companies, consisting of non-current financial assets which are not held for trading, are classified as "other financial assets" and are recognised at fair value through profit or loss.

2.g. 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 calculated on the basis of any temporary differences (taxable or deductible) between the carrying amounts of assets and liabilities and their tax bases. 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.i. Equity

Ordinary shares are recognised at their nominal amount. 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.

"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.

2.m. 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 as 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 in 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.n. Revenue and income (IFRS 15)

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

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

2.o. 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 in 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 in 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 in profit or loss.

2.p. 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.q. Earnings per share (IAS 33)

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in circulation to take into account any potential ordinary shares.

2.r. 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 amounts of the assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities at the reporting date.

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

The items mainly affected by this use of estimates are the measurement 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.s. Adoption of new standards, interpretations and amendments

Application of IFRS 9

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

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

The analyses that we carried out on the impact of implementing IFRS 9 concerned the assessment of Expected Credit Losses on other assets and cash and cash equivalents.

These assessments did not have any impact on equity.

As for the adoption of new standards, interpretations and amendments, reference should be made to point 6 of the Notes to the Consolidated Financial Statements.

3. Financial instruments

The company adopted IFRS 9 Financial Instruments starting from 1 January 2018 (initial application date of first-time adoption). With the adoption of IFRS 9, the company also implemented the changes required by IAS 1 Presentation of financial statements, according to which losses due to the impairment of financial assets must be presented in a separate item of the statement of other comprehensive income. The company previously included impairment losses on trade receivables in other costs.

In addition, the company adopted the amendments related to IFRS 7 Financial instruments: other explanatory information that is only provided for 2018, not for comparative disclosures.

Recognition and measurement

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

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

Classification and subsequent measurement – Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification and subsequent measurement – Financial liabilities:

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

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

Derecognition - Financial assets and liabilities

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

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

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

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

Impairment losses

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

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

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

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

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

To establish whether the credit risk on a particular financial asset has increased significantly since initial recognition in order to estimate expected losses, the company takes into consideration information that is reasonable and provable, but also relevant and available without excessive cost or effort. Quantitative and qualitative information and analyses are included, based on the company's historical experience, credit assessment and forward-looking information.

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

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

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

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

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

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

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

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

Fair value

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

The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required. For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the company has access (mark to market).

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

If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the company will assess the fair value using another 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 (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the valuation models used and counterparty risk.

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

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

The fair value hierarchy has three levels:

- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly);

- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use inputs that cannot 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 policies, 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 gain or loss 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 estimates involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement.

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

Statement of financial position

5. Non-current assets

5.a. Property, plant and equipment

2017	Opening position			Changes during the year			Closing position			
	Original cost	Accumulated depreciation	Balance 01.01.2017	Additions	Disposals and adjustments cost	accum. depr.	Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2017
<i>(in euro)</i>										
Buildings										
- Buildings for operating purpose 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)	--
- Miscellaneous machinery and equipment	28,373	(27,834)	539	--	--	--	(539)	28,373	(28,373)	--
- Assets that can be depreciated in one 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 property, plant and equipment	1,944,089	(1,559,871)	384,218	--	--	--	(55,250)	1,944,089	(1,615,121)	328,968

2018	Opening position			Changes during the year			Closing position			
	Original cost	Accumulated depreciation	Balance 01.01.2018	Additions	Disposals and adjustments cost	accum. depr.	Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2018
<i>(in euro)</i>										
Buildings										
- Buildings for operating purpose in Rome	1,315,924	(1,024,558)	291,366	--	--	--	(39,478)	1,315,924	(1,064,036)	251,888
Total	1,315,924	(1,024,558)	291,366	--	--	--	(39,478)	1,315,924	(1,064,036)	251,888
Industrial and commercial equipment										
- Motor vehicles	60,161	(22,559)	37,602	--	--	--	(15,040)	60,161	(37,599)	22,562
- Electronic office equipment	61,933	(61,993)	--	--	--	--	--	61,993	(61,993)	--
- Furniture and fittings	396,735	(396,735)	--	--	--	--	--	396,735	(396,735)	--
- Alarm systems	47,889	(47,889)	--	--	--	--	--	47,889	(47,889)	--
- Telephone systems	12,041	(12,041)	--	--	--	--	--	12,041	(12,041)	--
- Miscellaneous machinery and equipment	28,373	(28,373)	--	--	--	--	--	28,373	(28,373)	--
- Assets that can be depreciated in one year	20,973	(20,973)	--	--	--	--	--	20,973	(20,973)	--
Total	628,165	(590,563)	37,602	--	--	--	(15,040)	628,165	(605,603)	22,562
Total property, plant and equipment	1,944,089	(1,615,121)	328,968	--	--	--	(54,518)	1,944,089	(1,669,639)	274,450

5.b. Investment property

this item includes the following:

2017	Opening position			Movements during the year				Closing position		
	Original cost	Accumulated depreciation	Balance 01.01.2017	Additions	Disposals	Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2017	
(in euro)					accum. cost	depr.				
Buildings:										
- Building in Milan not used for operating purposes	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

2018	Opening position			Movements during the year				Closing position		
	Original cost	Accumulated depreciation	Balance 01.01.2018	Additions	Disposals	Depreciation	Original cost	Accumulated depreciation	Balance 31.12.2018	
(in euro)					accum. cost	depr.				
Buildings:										
- Building in Milan not used for operating purposes	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 building located in the centre of Milan, the market value of which is significantly higher the carrying amount.

5.c. Equity investments in subsidiaries

This item saw the following changes:

2017	Opening position		Movements during the					Closing position	
			year				Impairment losses		
	01.01.2017		Increases		Decreases			31.12.2017	
(in euro)	no. shares	amount	no. shares	amount	no. shares	amount	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

2018	Opening position		Movements during the					Closing position	
			year				Impairment losses		
	01.01.2018		Increases		Decreases			31.12.2018	
(in euro)	no. shares	amount	no. shares	amount	no. shares	amount	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 is concise information on CIR S.p.A. taken from the draft financial statements approved by the subsidiary's Board of Directors (*amounts in euro*):

Name	Registered office	Share capital 31.12.2018	Equity 31.12.2018	Profit (loss) for 2018	Percentage of direct control	Percentage of indirect control
CIR S.p.A. (*)	Milan, Via Ciovassino 1	397,146,183	869,147	14,187	45.80%	56.47%

(*) The percentage of indirect control includes CIR treasury shares

As required by the IFRS principles, the equity investment held in CIR S.p.A. at the end of the year was subjected to an impairment test to verify whether there was objective evidence to indicate that the carrying value of the assets might not be fully recoverable.

For the purposes of carrying out the impairment test in the separate financial statements, this investment has not taken on individual significance but, given the subsidiary's nature as a holding company, it was included in the impairment test of the CGUs carried out 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 impairment loss was therefore recognised.

5.d. Other investments

This item saw the following changes:

2017	Opening position		Movements during the year				Impairment losses	Closing position	
	01.01.2017		Increases		Decreases			31.12.2017	
	no. shares	amount	no. shares	amount	no. shares	amount		no. shares	amount
(in euro)									
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. (In liquidation and subject to deed of arrangement)	1,231,319	--	--	--	--	--	--	1,231,319	--
Total		--	--	--	--	--	--		--

2018	Opening position		Movements during the year				Impairment losses	Closing position	
	01.01.2018		Increases		Decreases			31.12.2018	
	no. shares	amount	no. shares	amount	no. shares	amount		no. shares	amount
(in euro)									
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. (In liquidation and subject to deed of arrangement)	1,231,319	--	--	--	--	--	--	1,231,319	--
Total		--	--	--	--	--	--		--

These are equity investments already completely written down in previous years.

Pursuant to art. 87 of the TUIR, it is worth pointing out that these equity investments were recorded as non-current financial assets in previous financial statements drawn up according to Italian GAAP.

5.e. Other assets

This item includes the following:

(in euro)	31.12.2018	31.12.2017
Tax assets	106,144	105,086
Other assets	15,141	15,141
Total	121,285	120,227

5.f. Other financial assets

This item includes the following:

<i>(in euro)</i>	31.12.2018	31.12.2017
Equity investments in other companies	0	8,593,790
Mutual investment funds	13,489,470	12,094,782
Total	13,489,470	20,688,572

In application of the new accounting standard IFRS 9, fair value measurement at the end of the year led to a net positive adjustment of € 886,990 which was recorded in the income statement.

6. Current assets

6.a. Other assets

This item includes the following:

<i>(in euro)</i>	31.12.2018	31.12.2017
Tax assets	171,335	179,724
Other assets	85,316	69,919
Other assets with related parties	253,845	171,971
Total	510,496	421,614

6.b. Securities

This item includes the following:

<i>(in euro)</i>	31.12.2018	31.12.2017
<i>Securities held for trading</i>		
Equity investments in other companies	133,267	932,860
Mutual investment funds	8,360,683	9,367,859
Total	8,493,950	10,300,719

Fair value measurement of the securities at the end of year resulted in a net negative adjustment of € 1,756,328 which was recorded in the income statement.

6.c. Cash and cash equivalents

Cash and cash equivalents increase by € 1,740,493 from € 1,580,661 to € 3,321,154.

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 nominal amount of € 0.50 each. It has remained unchanged since last year.

At 31 December 2018 the Company held 24,164,055 treasury shares (3.36% of share capital) totalling € 13,840,820.

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 is worth reiterating that the Ordinary Shareholders' Meeting on 27 April 2018 resolved to revoke the previous resolution to purchase treasury shares, granting a new authorisation, for a period of eighteen months from the day after, to buy up to a maximum of 70,000,000 treasury shares and to dispose of them.

7.b. Reserves

The changes in equity reserves are shown in the table shown on the next page.

In the interests of clarity, the reserves have been kept separate according to their origin as shown in the previous financial statements prepared under Italian GAAP.

The change in the item "*fair value reserve*" reflects the introduction of the new standard IFRS 9.

7.c. Retained earnings (losses/carried forward)

Originally, this item includes the reserve for impairment gains on equity investments used up to 31 December 2004 for the equity measurement of investments in subsidiaries in accordance with international accounting standards.

This item has gone from € 27,607,103 to € 41,447,662 with an increase of € 13,840,559 deriving from the allocation to retained earnings of part of the profit earned in 2017 of € 3,647,277 and from the difference of € 10,193,282 due to the reclassification of the fair value reserve, in application of IFRS 9.

Information on how the equity items can be used and distributed is shown in attachment no. 1).

CHANGES IN EQUITY RESERVES:

	Share premium reserve	Legal reserve	Negative goodwill	Reinstatement of historical cost of equity investments	FTA reserve	Fair value reserve	Reserve for treasury shares	TOTAL
<i>(in euro)</i>								
BALANCE AT 1 JANUARY 2017	5,044,115	22,643,845	42,975	133,069,943	243,375	2,975,413	--	164,019,666
Allocation of the 2016 result to reserve	--	940,584	--	--	--	--	--	940,584
Change in fair value reserve:								
<i>Year-end fair value measurement of financial assets available for sale</i>	--	--	--	--	--	7,581,795	--	7,581,795
<i>Deferred taxes</i>	--	--	--	--	--	(363,926)	--	(363,926)
Fair value gains (losses) on 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
Adjustments FTA of IFRS 9	--	--	--	--	--	(10,193,282)	--	(10,193,282)
BALANCE RESTATED AT 1 JANUARY 2018	5,044,115	23,584,429	42,975	121,706,098	243,375	--	--	160,215,271
Allocation to reserve of the 2017 result	--	707,767	--	--	--	--	--	707,767
Fair value gains (losses) on treasury share transactions	--	--	--	(2,476,975)	--	--	2,487,748	10,773
BALANCE AT 31 DECEMBER 2018	5,044,115	24,292,196	42,975	119,229,123	243,375	--	12,082,027	160,933,811

8. Non-current liabilities

8.a. Other loans and borrowings

This item includes the following:

<i>(in euro)</i>	31.12.2018	31.12.2017
Collateralised bank loans and borrowings	37,701,279	--
Total	37,701,279	--

These are two loans that have both expired and been renewed during 2018, recorded at the end of the previous year in "other loans and borrowings" under current liabilities.

The first loan for an initial amount of € 45,000,000, due on 30 June 2018 and paying interest at 3-month Euribor plus a spread of 225 basis points per year, was renewed for the same amount with expiry on 30 June 2022 and an interest spread reduced to 195 basis points. It includes a revolving element of € 20,000,000 and a forward element of € 25,000,000. At the end of the year, the outstanding principal amounted to € 37,000,000.

At 31 December 2018 the interest rate applied to the loan is 1.64%.

The contractual covenants of the loan, with which the company undertakes to maintain a ratio of less than 40% between the amount of net financial debt and the total value of the investments and securities held without guarantee restrictions, are fully complied with.

The second revolving loan for a maximum of € 20,000,000, due on 30 June 2018 and paying interest at 3-month Euribor plus a spread of 200 basis points per year, was renewed for another four years up to 30 June 2022 with a spread of 220 basis points per year with no commission for non-use. At the end of the year, € 1,000,000 has been drawn down as principal.

At 31 December 2018 the interest rate applied to the loan is 1.68%.

8.b. Other liabilities

This item includes the following:

<i>(in euro)</i>	31.12.2018	31.12.2017
Miscellaneous liabilities due beyond one year	34,582	34,582
Total	34,582	34,582

8.c. Provision for deferred taxes

This item includes the following:

<i>(in euro)</i>	31.12.2018		31.12.2017	
	<i>Total temporary differences</i>	<i>Tax effect</i>	<i>Total temporary differences</i>	<i>Tax effect</i>
Measurement of financial assets available for sale	3,449,229	165,563	10,707,227	513,946
Total deferred taxes	3,449,229	165,563	10,707,227	513,946

In this provision, deferred tax liabilities are shown net of deferred tax assets, calculated taking into account the recoverability of carry-forward tax losses, as the company has a legally enforceable right to offset these amounts.

Following the changes introduced by the new accounting standard IFRS 9 in the measurement of financial instruments, deferred taxes have been recognised in profit or loss.

9. Current liabilities

9.a. Other loans and borrowings

This item includes the following:

<i>(in euro)</i>	31.12.2018	31.12.2017
Collateralised bank loans and borrowings	--	43,025,653
Total	--	43,025,653

The two loans expired during 2018 were both renewed at improved conditions with new maturity on 30 June 2022.

For this reason, non-current liabilities have been entered under "other loans and borrowings", to which reference is made for detailed information.

9.b. Trade payables

They refer to payables to suppliers, which went from € 777,451 to € 401,193. There are no trade payables to related parties.

9.c. Other liabilities

This item includes the following:

<i>(in euro)</i>	31.12.2018	31.12.2017
Tax liabilities	1,358,119	1,354,979
Social security payables	10,887	10,712
Other liabilities	228,784	215,025
Total	1,597,790	1,580,716

Income Statement

10. Sundry revenue and income

This item includes the following:

<i>(in euro)</i>	2018	2017
Property income from subsidiaries	85,000	85,000
Property income	27,800	27,800
Other income and cost recoveries from non-controlling interests	15,861	6,313
Total	128,661	119,113

11. Costs for the purchase of goods

The item expresses the amount of purchases of consumer goods made by the company. They decrease from € 3,698 to € 1,877.

12. Costs for services

This item includes the following:

<i>(in euro)</i>	2018	2017
Services from subsidiaries	122,000	122,000
Administrative, tax, legal and corporate consulting	265,308	313,121
Fees for corporate bodies	410,342	406,421
Other operating expenses	143,878	134,993
Total	941,528	976,535

Services provided by subsidiaries refer to financial, legal and administrative assistance supplied under normal market conditions by Cir S.p.A.

13. Other operating expense

This item includes the following:

<i>(in euro)</i>	2018	2017
Taxes and duties	109,878	109,572
Compulsory contributions and membership fees	157,187	113,592
Donations to charity	232,500	232,500
Other losses and expenses	40,696	13,465
Total	540,261	469,129

14. Depreciation and impairment losses

The item only includes depreciation of property, plant and equipment, which rose from € 55,250 to € 54.518.

15. Financial income

This item includes the following:

<i>(in euro)</i>	2018	2017
Interest income on bank deposits	851	1,647
Other financial income	12,586	1,058
Total	13,437	2,705

16. Financial expense

This item includes the following:

<i>(in euro)</i>	2018	2017
Interest expense and financial expense on loans	764,702	810,935
Interest expense, commissions on bank current accounts and other financial expense	69,895	66,087
Miscellaneous commissions	47,263	52,737
Total	881,860	929,759

17. Dividends

This item includes the following:

<i>(in euro)</i>	2018	2017
Dividends from equity investments in subsidiaries	13,823,304	13,823,304
Total dividends	13,823,304	13,823,304

The item only includes dividends received from CIR S.p.A.

18. Gains from trading securities

This item includes the following:

<i>(in euro)</i>	2018	2017
Income from trading in equity investments in other companies	9,382	1,888,780
Income from mutual funds	376,774	1,350,311
Total	386,156	3,239,091

19. Losses from trading securities

This item includes the following:

<i>(in euro)</i>	2018	2017
Losses from trading in equity investments in other companies	--	117,016
Charges from mutual funds	331,300	--
Total	331,300	117,016

20. Net fair value gains (losses) on financial assets

Pursuant to art. 6 of Legislative Decree 38/2005, note that net positive fair value adjustments to financial instruments not intended for trading have been recorded for a total of € 886,990 in accordance with IFRS 9.

This item includes the following:

<i>(in euro)</i>	2018	2017
Impairment gains on mutual funds	1,399,443	--
Impairment losses on mutual funds	(1,519,630)	(277,404)
Impairment gains on equity investments in other companies	2,534	8,793
Impairment losses on equity investments in other companies	(751,685)	(98,174)
Total	(869,338)	(366,785)

21. Income taxes

This item includes the following:

<i>(in euro)</i>	2018	2017
Current taxes	--	(110,698)
Deferred taxes	348,383	--
Total	348,383	(110,698)

Following the changes made by IFRS 9 in the measurement of financial instruments, deferred taxes have been booked with a contra-entry to the income statement, taking into account the recoverability of tax losses.

22. Earnings (loss) 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 has no outstanding options, therefore the diluted earnings per share corresponds to the basic earnings per share.

The following is information on the shares for the purpose of calculating basic and diluted earnings per share (*amounts in euro*):

	2018	2017
Profit attributable to the shareholders	11,079,259	14,155,343
Weighted average number of ordinary shares in circulation	697,049,390	708,378,708
Earnings loss per share	0.0159	0.0200

	2018	2017
Profit loss from the statement of comprehensive income attributable to the shareholders	11,079,259	21,373,212
Weighted average number of ordinary shares in circulation	697,049,390	708,378,708
Earnings loss per share	0.0159	0.0302

23. Related party transactions

Information regarding the impact that related party transactions have on the financial position results of operations and cash flow for the year are provided in the comment on the individual items of the separate financial statements.

The "Other information" section of the Report on operations shows a summary of the effects of the aforementioned transactions.

24. Net financial indebtedness

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

<i>(in euro)</i>	31.12.2018	31.12.2017
A. Cash and bank deposits	3,321,154	1,580,661
B. Other cash equivalents	--	--
C. Securities held for trading	8,493,950	10,300,719
D. Cash and cash equivalents	11,815,104	11,881,380
E. Current loans assets	--	--
F. Current bank loans and borrowing	--	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 indebtedness (position) (I) – (E) – (D)	(11,815,104)	31,144,273
K. Non-current bank loans and borrowings	37,701,279	--
L. Non-current financial indebtedness	37,701,279	--
M. Net financial indebtedness (J) + (L)	25,886,175	31,144,273

25. 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 its exposure to the risk of changes in interest rates and manages them by investing in financial instruments that match the funding.

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 2018 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 is able to meet its foreseeable financial requirements based on available cash resources and expected inflows, together with the agreements that it already has 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 table below shows the assets that are measured at fair value for the financial years 2018 and 2017 (amounts in euro) by hierarchical level.

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

2018	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
<i>Financial assets measured at fair value through profit or loss</i>				
Other financial assets:				
- Equity investments in other companies	--	--	--	--
- Mutual investment funds	--	13,489,470	--	13,489,470
<i>Total</i>	--	13,489,470	--	13,489,470
Financial assets measured at fair value through equity				
	--	--	--	--
Total other financial assets	--	13,489,470	--	13,489,470
CURRENT ASSETS				
<i>Financial assets measured at fair value through profit or loss</i>				
Securities held for trading:				
- Equity investments in other companies	--	133,267	--	133,267
- Mutual investment funds	--	8,360,683	--	8,360,683
<i>Total</i>	--	8,493,950	--	8,493,950
Total securities	--	8,493,950	--	8,493,950
<hr/>				
2017	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
<i>Financial assets measured at fair value through equity</i>				
Financial assets available for sale:				
- Equity investments in other companies	--	8,593,790	--	8,593,790
- Mutual investment funds	--	12,094,782	--	12,094,782
<i>Total</i>	--	20,688,572	--	20,688,572
<i>Financial assets measured 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 measured at fair value through profit or loss</i>				
Securities held for trading:				
- Equity investments in other companies	--	932,860	--	932,860
- Mutual 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

CREDIT RISK - 2018

(in thousands of euro)

Balance at 31 December 2018	Items	Total receivables	Not yet due	Past due by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Impairment losses
Other equity investments - non-current assets	5.d.									
Fair value		953	953	--	--	--	--	--	--	--
Loss allowance		(953)	(953)	--	--	--	--	--	--	--
Other assets – Non-current assets	5.e.									
Gross receivable		15	15	--	--	--	--	--	--	--
Loss allowance		--	--	--	--	--	--	--	--	--
Other assets – current assets	6.a.									
Gross receivable		339	339	--	--	--	--	--	--	--
Loss allowance		--	--	--	--	--	--	--	--	--
Total		354	354	--	--	--	--	--	--	--

CREDIT RISK - 2017

(in thousands of euro)

Balance 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	Impairment losses
Other equity investments - non-current assets	5.d.									
Fair value		953	953	--	--	--	--	--	--	--
Loss allowance		(953)	(953)	--	--	--	--	--	--	--
Other assets – Non-current assets	5.e.									
Gross receivable		15	15	--	--	--	--	--	--	--
Loss allowance		--	--	--	--	--	--	--	--	--
Other receivables – current assets	6.a.									
Gross receivable		241	241	--	--	--	--	--	--	--
Provision for impairment losses		--	--	--	--	--	--	--	--	--
Total		256	256	--	--	--	--	--	--	--

LIQUIDITY RISK - 2018

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <5 years	Total
Derivative financial liabilities	--	--	--	--	--	--	--
Non-derivative financial liabilities							
Non-current liabilities							
Other loans and borrowings	--	--	--	37,701	--	--	37,701
Other liabilities	--	--	--	--	--	35	35
Current liabilities							
Other loans and borrowings	--	--	--	--	--	--	--
Trade payables	401	--	--	--	--	--	401
Total	401	--	--	37,701	--	35	38,137

Based on the specific nature of the credit line, the item "other loans and borrowings" indicates the carrying amount as a representation of the liquidity risk. No significant changes in the interest rate are currently foreseen

LIQUIDITY RISK - 2017

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>4 <5 years	Total
Derivative financial liabilities	--	--	--	--	--	--	--
Non-derivative financial liabilities							
Non-current liabilities							
Other loans and borrowings	--	--	--	--	--	--	--
Other liabilities	--	--	--	--	--	35	35
Current liabilities							
Other loans and borrowings	43,026	--	--	--	--	--	43,026
Trade payables	777	--	--	--	--	--	777
Total	43,803	--	--	--	--	35	43,838

Based on the specific nature of the credit line, the item "other loans and borrowings" indicates the carrying amount as a representation of the liquidity risk. No significant changes in the interest rate are currently foreseen

GUARANTEES AND COMMITMENTS

For the loans falling due in June 2022, CIR shares with a total carrying amount of € 335,278,154 have been pledged in favour of the lenders.

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, annex 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 THE PROFIT FOR THE YEAR

Shareholders,

The separate financial statements as at and for the year ended 31 December 2018, which we submit for your approval, closed with profit for the year of € 11,079,259.39 which we propose should be allocated as follows:

- € 553,962.97 to the legal reserve;
- € 886,990.00 to the "Reserve impairment gains on other financial assets" for the non-distributable portion pursuant to art. 6 of Italian Legislative Decree 38/2005;
- the difference of € 9,638,306.42 to "Retained earnings".

We also propose the distribution of a dividend of € 0.0145¹ per share to each of the outstanding shares, with dividend and voting rights from 1 January 2019 (except for treasury shares), taking this amount from the equity reserve "Write-back of historical cost of equity investments".

It should be noted that the actual amounts to be allocated as dividends will take into account the treasury shares held and the ordinary shares in circulation on the date of the Shareholders' Meeting, based on possible further purchases of treasury shares.

THE BOARD OF DIRECTORS

Milan, 11 March 2019

¹ Pursuant to and for the purposes of the combined provisions of art. 1, paragraph 1006 of Law 205/2017 and art. 1 of the Ministerial Decree of 26 May 2017, the dividend is intended to be made up entirely of profits produced up to the year ended 31 December 2007.

EQUITY – Possibilities for use and distribution

(amounts in euro)

Nature	Amount	Possible use	Amount available
Share capital	359,604,959	=	=
Equity-related reserves:			
Share premium reserve	5,044,115	A, B	5,044,115
Negative goodwill	42,975	A, B, C	42,975
Income-related reserves:			
Legal reserve	24,292,196	B	=
Retained earnings	41,447,662	A, B, C	41,447,662
Write-back of historical cost of equity investments	119,229,123	A, B, C	119,229,123
FTA reserve	243,375	A, B, C	243,375
TOTAL			166,007,250
Non-distributable portion: the share premium reserve, given that the legal reserve has not yet reached one fifth of the share capital - art. 2431 of the Italian Civil Code			(5,044,115)
Residual distributable portion			160,963,135

KEY:

Possible use:

- A: for increase in share capital
- B: to cover losses
- C: for distribution to shareholders

**SUMMARY OF THE KEY FIGURES FROM THE LATEST FINANCIAL STATEMENTS
OF THE COMPANY EXERCISING MANAGEMENT CONTROL AND COORDINATION**

The key figures of the financial statements of F.lli De Benedetti S.p.A. at 31 December 2017 are reported below.

(amounts in euro)

STATEMENT OF FINANCIAL POSITION

ASSETS	
B) Non-current assets	245,311,512
C) Current assets	1,018,871
Total assets	246,330,383
LIABILITIES	
A) EQUITY	
Share capital	170,820,000
Reserves	14,782,070
Profit for the year	4,556,658
D) LIABILITIES	56,087,947
E) ACCRUALS AND DEFERRALS	83,708
Total liabilities	246,330,383

INCOME STATEMENT

A) Production revenues	5,324
B) Costs of production	(261,564)
C) Net financial income	4,813,093
Taxes	(195)
Profit for the year	4,556,658

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 2018.
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, 11 March 2019

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 2018

pursuant to art. 38.2 of Italian Legislative Decree 127/91

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

(in euro or foreign currency)

<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating companies</i>	<i>% held on share capital</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.	Italy	195,044,788.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	99.85
A. MANZONI & C. S.p.A.	Italy	21,933,535.00	€	GEDİ GRUPPO EDITORIALE S.p.A. GEDİ NEWS NETWORK S.p.A.	68.39 31.61
					100.00
GEDİ PRINTING S.p.A.	Italy	33,637,114.00	€	GEDİ NEWS NETWORK S.p.A.	100.00
GEDİ DISTRIBUZIONE S.p.A.	Italy	677,608.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	100.00
ELEMEDIA S.p.A.	Italy	25,000,000.00	€	GEDİ GRUPPO EDITORIALE S.p.A.	100.00
GEDİ DIGITAL S.r.l.	Italy	278,846.00	€	GEDİ GRUPPO EDITORIALE S.p.A. GEDİ NEWS NETWORK S.p.A.	82.07 17.93
					100.00
MO-NET S.r.l.	Italy	35,800.00	€	GEDİ DIGITAL S.r.l.	83.00
SOGEFI GROUP					
SOGEFI S.p.A. (***)	Italy	62,461,355.84	€	CIR S.p.A.	55.60
SOGEFI FILTRATION ITALY S.p.A.	Italy	8,000,000.00	€	SOGEFI FILTRATION S.A.	99.88
SOGEFI FILTRATION S.A.	France	120,596,780.00	€	SOGEFI S.p.A.	99.99998
SOGEFI FILTRATION Ltd	UK	5,126,737.00	GBP	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION SPAIN S.A.U.	Spain	14,249,084.96	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION d.o.o.	Slovenia	10,291,798.00	€	SOGEFI FILTRATION S.A.	100.00
SOGEFI SUSPENSIONS S.A.	France	73,868,383.00	€	SOGEFI S.p.A.	99.999
FILTER SYSTEMS MAROC S.a.r.l.	Morocco	95,000,000.00	MAD	SOGEFI FILTRATION S.A.	100.00
SOGEFI FILTRATION RUSSIA LLC	Russia	6,800,000.00	RUB	SOGEFI FILTRATION S.A.	100.00
SOGEFI GESTION S.A.S.	France	100,000.00	€	SOGEFI S.p.A.	100.00
SOGEFI U.S.A. Inc.	United States	20,055,000	USD	SOGEFI S.p.A.	100.00
SOGEFI AIR & COOLING S.A.S.	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	70,380,912.00	BRL	SOGEFI FILTRATION S.A. SOGEFI FILTRATION SPAIN S.A.U. SOGEFI SUSPENSION BRASIL Ltda	87.7772527 12.2227459 0.0000014
					100.00
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	118,423,329.00	ARP	SOGEFI FILTRATION S.A. SOGEFI FILTRATION ITALY S.p.A.	99.6818 0.3182
					100.00

(*) 56.47% net of the treasury shares in portfolio

(**) 45.76% net of the treasury shares in portfolio

(***) 56.78% net of the treasury shares in portfolio

(in euro or foreign currency)

Company Name	Registered office	Share capital	Currency	Participating companies	% held on share capital
SHANGHAI SOGEFI AUTO PARTS Co., Ltd	China	13,000,000.00	USD	SOGEFI S.p.A.	100.00
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd	China	37,400,000.00	USD	SOGEFI S.p.A.	100.00
ALLEVARD SPRINGS Ltd	UK	4,000,002.00	GBP	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI PC SUSPENSIONS GERMANY GmbH	Germany	50,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI SUSPENSION ARGENTINA S.A.	Argentina	61,356,535.00	ARP	SOGEFI SUSPENSIONS S.A. SOGEFI SUSPENSIONS BRASIL Ltda	89.999 9.9918 99.99
IBERICA DE SUSPENSIONES S.L. (ISSA)	Spain	10,529,668.00	€	SOGEFI SUSPENSIONS S.A.	50.00
SOGEFI SUSPENSION BRASIL Ltda	Brazil	37,161,683.00	BRL	SOGEFI SUSPENSIONS S.A. ALLEVARD SPRINGS Ltd	99.997 0.003 100.00
UNITED SPRINGS Ltd	UK	4,500,000.00	GBP	SOGEFI SUSPENSIONS S.A.	100.00
UNITED SPRINGS B.V.	Holland	254,979.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SHANGHAI ALLEVARD SPRING Co., Ltd	China	5,335,308.00	€	SOGEFI SUSPENSIONS S.A.	60.58
UNITED SPRINGS S.A.S.	France	5,109,000.00	€	SOGEFI SUSPENSIONS S.A.	100.00
SOGEFI HD SUSPENSIONS GERMANY GmbH	Germany	50,000.00	€	SOGEFI PC SUSPENSIONS GERMANY GmbH	100.00
S.ARA COMPOSITE S.A.S.	France	13,000,000.00	€	SOGEFI SUSPENSIONS S.A.	96.15
SOGEFI M.N.R. ENGINE SYSTEMS INDIA Pvt Ltd	India	21,254,640.00	INR	SOGEFI FILTRATION S.A. SOGEFI AIR & COOLING S.A.S. SYSTEMES MOTEURS CHINA S.à.r.l.	64.29 35.69 0.02 100.00
ALLEVARD IAI SUSPENSIONS Pvt Ltd	India	432,000,000.00	INR	SOGEFI SUSPENSIONS S.A.	74.23
SOGEFI AIR & COOLING CANADA CORP.	Canada	9,393,000.00	CAD	SOGEFI AIR & COOLING S.A.S.	100.00
SOGEFI AIR & COOLING USA Inc.	United States	100.00	USD	SOGEFI AIR & COOLING S.A.S.	100.00
SYSTÈMES MOTEURS CHINA S.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. SOGEFI AIR & COOLING S.A.S.	99.999995 0.000005 100.00
S.C. SOGEFI AIR & COOLING S.r.l.	Romania	7,087,610.00	RON	SOGEFI AIR & COOLING S.A.S. SOGEFI FILTRATION SPAIN S.A.U.	99.9997 0.003 100.00
SOGEFI ENGINE SYSTEMS HONG KONG Ltd	Hong Kong	1,000.00	HKD	SYSTÈMES MOTEURS CHINA S.à.r.l.	100.00
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.p.A.	Italy	6,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.p.A.	Italy	8,000,000.00	€	SOGEFI SUSPENSIONS S.A.	99.88
SOGEFI SUSPENSION EASTERN EUROPE S.R.L.	Romania	464,890	RON	SOGEFI SUSPENSIONS S.A.	100.00

(in euro or foreign currency)

<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating companies</i>	<i>% held on share capital</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.	82.07
				CLEARVIEW HEALTHCARE LTD	17.93
					100.00
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	GBP	MEDIPASS HEALTHCARE LTD	100.00
MEDIPASS LEEDS LTD	UK	2.00	GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
MEDIPASS BELFAST LTD	UK	2.00	GBP	MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	100.00
KOS CARE S.r.l.	Italy	2,550,000.00	€	KOS S.p.A.	100.00
CLEARVIEW HEALTHCARE LTD	India	4,661,880.00	INR	MEDIPASS S.r.l.	85.19
HSS REAL ESTATE S.r.l.	Italy	2,064,000.00	€	KOS S.p.A.	100.00
ABITARE IL TEMPO S.r.l.	Italy	100,826.00	€	KOS CARE S.r.l.	54.00
SANATRIX S.r.l.	Italy	843,700.00	€	KOS CARE S.r.l.	90.42
SANATRIX GESTIONI S.r.l.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.r.l.	Italy	80,000.00	€	KOS CARE S.r.l.	100.00
FIDIA S.r.l.	Italy	10,200.00	€	KOS CARE S.r.l.	60.00
VILLA MARGHERITA S.r.l.	Italy	20,000.00	€	KOS CARE S.r.l.	100.00
CASA DI CURA SANT'ALESSANDRO S.r.l.	Italy	200,000.00	€	KOS CARE S.r.l.	100.00
VILLA DEI PINI S.r.l.	Italy	50,900.00	€	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.	82.19
				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
				HSS REAL ESTATE S.r.l.	0.43
				VILLA MARGHERITA S.r.l.	0.43
				ELSIDA S.r.l.	0.23
					100.00

EQUITY INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES CARRIED AT EQUITY

(in euro or foreign currency)

<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating companies</i>	<i>% held on share capital</i>
<i>CIR GROUP</i>					
DEVIL PEAK S.r.l.	Italy	69,659.00	€	NEXENTI S.r.l.	36.16
<i>GEDI GROUP</i>					
LE SCIENZE S.p.A.	Italy	103,400.00	€	GEDI GRUPPO EDITORIALE S.p.A.	50.00
HUFFINGTONPOST ITALIA S.r.l.	Italy	250,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	49.00
EDITORIALE CORRIERE DI ROMAGNA S.r.l.	Italy	1,756,766.00	€	GEDI NEWS NETWORK S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	GEDI NEWS NETWORK S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	GEDI NEWS NETWORK S.p.A.	35.00
PERSIDERA S.p.A.	Italy	21,428,572.00	€	GEDI GRUPPO EDITORIALE S.p.A.	30.00
<i>SOGEFI GROUP</i>					
MARK IV ASSET (Shanghai) AUTO PARTS Co., Ltd	China	5,000,000.00	CNY	SOGEFI ENGINE SYSTEMS HONG KONG Ltd	50.00
<i>CIR GROUP INTERNATIONAL</i>					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.55
<i>KOS GROUP</i>					
APOKOS REHAB PVT Ltd	India	169,500,000.00	INR	KOS S.p.A.	50.00

EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES VALUED WITH THE COST MODEL (*)

(in euro or foreign currency)

<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating companies</i>	<i>% held on share capital</i>
GEDI GROUP					
KSOLUTIONS S.r.l. (in liquidation)	Italy	100,000.00	€	GEDI DIGITAL S.r.l.	100.00
CLUB D.A.B. ITALY – 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
STUDIO LABORATORIO BIEMME S.r.l.	Italy	10,000.00	€	SANATRIX GESTIONI S.r.l.	100.00
CIR GROUP INTERNATIONAL					
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(*) Non-significant, non-operating equity investments or recently acquired equity investments, if not otherwise indicated

EQUITY INVESTMENTS IN OTHER COMPANIES VALUED WITH THE COST MODEL

(in euro or foreign currency)

<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating companies</i>	<i>% held on share capital</i>
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>24.27</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	15,539.00	€	GEDI GRUPPO EDITORIALE S.p.A. GEDI NEWS NETWORK S.p.A.	16.67 16.67 <u>33.34</u>
AGENZIA INFORMATIVA ADRIATICA d.o.o.	Slovenia	12,768.00	€	GEDI NEWS NETWORK S.p.A.	19.00
AUDIRADIO S.r.l. (in liquidation)	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES Inc. (non-operative)	United States	7,663,998.4	USD	GEDI DIGITAL S.r.l.	7.83
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 - consortium	Italy	8,095.00	€	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	10,000.00	€	ELEMEDIA S.p.A.	12.50
C.S.E.D.I. consortium	Italy	103,291.38	€	GEDI DISTRIBUZIONE S.p.A.	11.11
FIDIMPRESA LIGURIA S. Coop p.A.	Italy	15,480,000.00	€	GEDI NEWS NETWORK S.p.A.	0.01
TRENTO PRESS SERVICE S.r.l.	Italy	260,000.00	€	GEDI NEWS NETWORK S.p.A.	1.60
RADIO ITALIA S.p.A.	Italy	580,000.00	€	GEDI GRUPPO EDITORIALE S.p.A.	10.00
SOGEFI GROUP					
AFICO FILTERS S.A.E.	Egypt	14,000,000.00	EGP	SOGEFI FILTRATION ITALY S.p.A.	17.77
KOS GROUP					
FONDO SPAZIO SANITÀ	Italy	80,756,000.00	€	KOS CARE S.r.l.	1.11

EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES AND IN OTHER COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

(in euro or foreign currency)

<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Currency</i>	<i>Participating companies</i>	<i>% held on share capital</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

RELAZIONE DEL COLLEGIO SINDACALE

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 2018 we performed the surveillance 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.

In the report on operations and the explanatory notes accompanying the financial statements, the Directors have informed you about the more important transactions that took place during the year and subsequent to the year end.

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 of the Shareholders and the Board of Directors held during the year. 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 obtained the knowledge 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 5 April 2019, concerning the separate and consolidated financial statements at 31 December 2018;
- we received from the independent auditors the additional report as per art. 11 of the European Regulation 537/2014, issued on 5 April 2019, 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), letter a) of the above mentioned 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.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 surveillance activities, carried out as explained above, no significant facts emerged requiring notification to the Supervisory Bodies nor do we have any proposals to make regarding the financial statements, their approval or any other matters relating to our mandate.

* * *

The specific indications that this report has to provide are listed below, in accordance with Consob Communiqué of 6 April 2001 and subsequent updates.

- We obtained sufficient information on the more significant transactions from an economic and financial viewpoint 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.
- At 5 April 2019, KPMG S.p.A. issued its audit reports on the separate and consolidated financial statements for the year ended 31 December 2018, 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 2018, the companies controlled by CIR SpA gave KPMG assignments for other services for a total of Euro 102 thousand; entities belonging to KPMG's network were also given assignments for other services with fees totalling Euro 24 thousand.
- Since 2017, Cofide S.p.A. has given KPMG an additional mandate with respect to the audit to issue the attestation on the compliance of the information provided in the consolidated non-financial statement of the Cofide pursuant to Legislative Decree 254/2016 for the period 2017-2025 with an annual fee of Euro 5 thousand. A similar assignment was also given to KPMG SpA by the subsidiaries of COFIDE SpA, for a total annual fee of Euro 54 thousand.
- During the year, we issued opinions in accordance with art. 2389 of the Civil Code.
- During 2018, we did not receive any complaints pursuant to art. 2408 of the Italian Civil Code.
- During 2018, the Board of Directors met 7 times, the Audit and Risk Committee 5 times and the Appointments and Compensation Committee 2 times; the Board of Statutory Auditors met 11 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 2018, 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. We also acknowledge that during the year the Company approved the Procedure for the management, treatment and communication of relevant and privileged information and the Code of Conduct relating to internal dealing, in accordance with the current legislation on market abuse.
- Our surveillance activities were carried out on a routine basis during 2018 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 2018, their approval or 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 of Euro 11,079,259 as proposed by the Board of Directors.

We thank you for your confidence in us.

Milan, 5 April 2019

THE BOARD OF STATUTORY AUDITORS

Riccardo Zingales – Chairman of the Board of Statutory Auditors

Antonella Dellatorre – Statutory Auditor

Tiziano Bracco – Statutory Auditor

RELAZIONI DELLA SOCIETA' DI REVISIONE

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(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” or “COFIDE Group”), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies., 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 2018 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 “parent”) in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill and other 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 2018 comprise intangible assets of €1,139.8 million, including goodwill of €450.9 million and other intangible assets with an indefinite useful life of €523.7 million.</p> <p>The parent's directors test 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, considering the relevant tests carried out by the subsidiaries' directors.</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 a method that discounts their expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — the expected cash flows, calculated by taking into account the general economic performance and that of the joint venture'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 recoverability of the carrying amount of goodwill and intangible assets with an indefinite useful life is a key audit matter.</p>	<p>The audit procedures we performed, considering the work carried out by the respective audit teams as part of their engagements assigned by the subsidiaries CIR S.p.A., GEDI Gruppo Editoriale S.p.A., Sogefi S.p.A. and KOS S.p.A., included:</p> <ul style="list-style-type: none"> — understanding the process adopted for impairment testing approved by the parent'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 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 2018 include provisions for risks and charges of €130.4 million, including the provision for pending disputes of €19.0 million, the provision for restructuring charges of €23.1 million, the provision for product warranties of €4.3 million and the provision for other risks of €84.0 million.</p> <p>The directors disclosed the main pending disputes and the 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>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 implementation of controls and procedures to assess the operating effectiveness of material controls; — analysing the discrepancies between past years' estimates of the provisions for risks and charges and actual figures resulting from the subsequent settlement of disputes, 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.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the

consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 April 2017, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2018 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 2018 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 group's consolidated financial statements at 31 December 2018 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 non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 5 April 2019

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(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 2018, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of COFIDE – Gruppo De Benedetti S.p.A. as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the separate financial statements” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the [separate] financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of investments in subsidiaries

Notes to the separate financial statements: Notes 2 “Accounting policies” and 5.c “Equity investments in subsidiaries”

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2018 include investments in subsidiaries of €573.8 thousand 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 (impairment test). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — the expected cash flows, calculated by taking into account the general economic performance and that of the joint venture’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 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.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 April 2017, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2017 to 31 December 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2018 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 2018 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 company's separate financial statements at 31 December 2018 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, 5 April 2019

KPMG S.p.A.

(signed on the original)

Giovanni Rebay
Director of Audit