MITTEL S.p.A.

Offices in Milan - Piazza A. Diaz 7
Share Capital EUR 87.907.017 fully paid-in
Listed in the Milan Register of Companies at no. 00742640154
www.mittel.it

Annual Report

31 December 2017

132° Financial Year

"THIS IS A TRANSLATION OF THE ITALIAN CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017 PREPARED SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS. IN THE EVENT OF ANY AMBIGUITY THE ITALIAN TEXT WILL PREVAIL."

Board of Directors

Chairman and Chief Executive Officer
Rosario Bifulco (b)
Deputy Chairmen
Marco Giovanni Colacicco (b)
Michele Iori (d)
Directors
Anna Francesca Cremascoli (a) (d)
Giovanni Raimondi (a) (c)
Valentina Dragoni (a) (d)
Patrizia Galvagni (a) (c)
Manager in charge of financial reporting
Pietro Santicoli

Board of Statutory Auditors

Standing auditors
Riccardo Perotta – Presidente
Maria Teresa Bernelli
Fabrizio Colombo
Alternate auditors
Aida Ruffini
Giulio Tedeschi

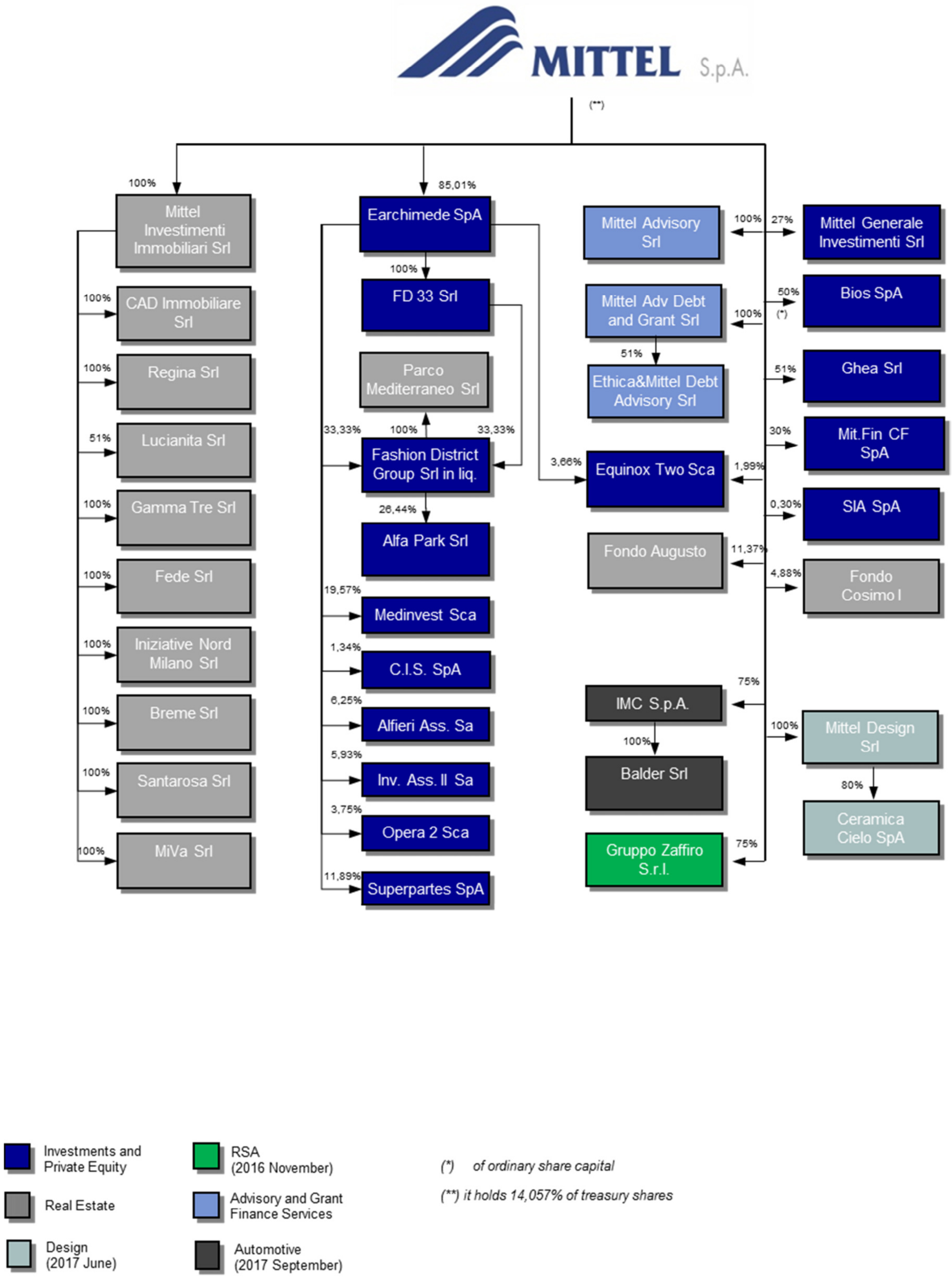
Independent Auditors

KPMG S.p.A.

(a) Independent Director
(b) Executive Director
(b) Member of the Control and Risks Committee
(c) Member of the Remuneration and Appointments Committee

The duration of the Company shall be until 31 December 2100, as stated in art. 4 of the Articles of Association.

Group structure as of March 21, 2018



(*) of ordinary share capital

(**) it holds 14,057% of treasury shares

Dear Shareholders,

Due to the change in the closing date of the financial year from September 30 to December 31 of each year, as resolved by the Extraordinary Shareholders' Meeting on November 18, 2016, the financial year as of December 31, 2017 had a duration of 15 months (October 1, 2016 - December 31, 2017). Therefore, this financial report, referring to a financial year with a duration of more than one year, includes balances not fully comparable with those of the previous year. However, it is recalled that, also with the aim of allowing users of the financial statements an easier comparison with the data of the previous year - which lasted one year - ended on September 30, 2016, the Company prepared on a voluntary basis, pursuant to art. 82-ter of the Issuers' Regulation, an Interim Report on Operations as of September 30, 2017, relating to a period of 12 months, to which reference should be made in order to have more complete information.

Furthermore, during the 2016/2017 financial year, the process of implementation of the 2016-2019 Strategic Plan was significantly accelerated. In line with the defined strategic lines, several divestments were made (Credit Access, Castello, ISA, listed securities, Livanova) and the development phase was mainly launched, which led to three major industrial acquisitions (Gruppo Zaffiro S.r.l., Ceramica Cielo S.p.A. and IMC S.p.A.). As a consequence of the phenomena described, the perimeter of the Group changed significantly, with inevitable effects on the consolidated accounting values and on the manner in which they are represented in the financial statements and in the reclassified reports on operations. These aspects therefore made it necessary to change the structure of the financial statements and the reclassified reports to reflect the new business model and the Group's stronger industrial vocation. Moreover, this financial report presents consolidated and separate modified financial statements compared to the previous year, exclusively in reference to the order of exposure and the composition of a few intermediate margins presented, for a more effective representation of the results achieved. This change required a similar reestablishment of the balances of the previous year.

Introduction

On March 30, 2016, the Mittel S.p.A. Board of Directors approved the 2016-2019 Strategic Plan, whose guidelines envisage a focus on the development of investments in a permanent capital perspective, the valuation of the assets in the portfolio, the gradual exit from the real estate business and the end of the lending activity. With the approval of the Strategic Plan, the Mittel Group started an important repositioning process on the Italian financial market. The Company aims to create value for Shareholders by becoming a dynamic and efficient holding company, focused on majority investments in small and medium-sized Italian companies with high cash generation.

Following the approval of the Plan, actions were taken to implement the aforementioned strategy, with the consequent start of the process of rationalizing the Group's corporate structure and the disposal of non-core activities, as well as, starting from this year, the process of developing new investments.

In particular, during the 2016/2017 financial year, the Mittel Group made the following investments with strategic value:

- In November 2016 it acquired a 75% stake in the Gruppo Zaffiro S.r.l., an important *player* in the Italian healthcare sector; the Gruppo Zaffiro represents a solid platform on which to create a process of aggregation of other local companies operating in the healthcare sector, with the aim of becoming, over the next few years, a market reference point, which presents clear structural growth trends linked to demographic factors and social factors and a supply structure that is still very fragmented and with significant aggregation spaces;
- In June 2017 it acquired an 80% stake in Ceramica Cielo S.p.A., an important *player* active in the production and marketing of designer ceramic sanitary-ware and accessories for the luxury sector in Italy and abroad, with products characterized by a stylistically avant-garde design and an innovative treatment of materials (with particular attention to R & D activities and receiving excellence awards); the operation is aimed at creating an aggregation platform in the bathroom furniture sector in which Italy holds, for designer products, an important and internationally recognized position;
- In September 2017 it acquired a 75% stake in the IMC company - Industria Metallurgica Carmagnolese S.p.A., an important *player* active in the automotive components sector (cold molding on steel and aluminum elements of structural and internal components for the main manufacturers in

the automotive sector), with a solid position in the market, recognized in the sector for its important technological know-how and the high standards of service offered to customers.

The consolidated economic data for the 15-month period ended on December 31, 2017 therefore includes the effects of the consolidation of the Gruppo Zaffiro for 14 months, the consolidation of Ceramica Cielo for 6 months and the consolidation of IMC for 3 months. Starting from the 2016/2017 financial year, therefore, a new strategic identity for Mittel is emerging, namely that of an investment holding company, and the margins of profitability of the consolidated financial statements benefit from the consolidation of the majority shareholdings acquired. Starting from next year, this benefit will be full, operating for the entire period, and will also be grafted on margins deriving from the holding activity, which is improving thanks to the rationalization measures implemented.

In parallel, in fact, during the year, the measures continued to contain operating costs and enhancement of non-core assets in portfolio in order to generate new resources for investments.
In particular in relation to disposals:

- In April 2017 the minority shareholdings in Castello SGR S.p.A. were sold (an asset management company operating in the real estate sector);
- In May 2017 (with the last sale in July 2017) the remaining Intesa Sanpaolo and UBI Banca shares held were sold;
- In June 2017 the minority shareholding in ISA S.p.A. was sold;
- In September 2017 the second phase of the Livanova Plc share sale process was completed (a process started in September 2016 and subsequently interrupted to comply with the volume limits imposed by the US legislation).

With regards to the measures to rationalize the Group's structure, the following integration operations took place during the year:

- In October 2016 the activities of the Debt Advisory sector were completed with those of Ethica Corporate Finance, with the establishment of the new company Ethica & Mittel Debt Advisory, 51% owned by the Mittel Group;
- In May 2017 the merger by incorporation of Liberata S.r.l. in Mittel Generale Investimenti S.r.l. was perfected;
- In August 2017 Fashion District Roma S.r.l. in liquidation and Loft S.r.l. in liquidation were merged by incorporation into Fashion District Group S.r.l. in liquidation;
- In October 2017 Zorro S.r.l. was incorporated into the Gruppo Zaffiro S.r.l.;
- In December 2017 Mittel Automotive S.r.l. was incorporated into IMC - Industria Metallurgica Carmagnolese S.p.A.

Furthermore, during the year a significant restructuring of the Group's financial sources was carried out. In May 2017, in fact, Mittel S.p.A. announced a bond issue, for a maximum of approximately EUR 175 million. The operation was carried out with the aim of optimizing the structure of the debt in terms of cost and duration and, at the same time, increasing the resources available for the development of the investment activity. In July, the new 2017-2023 bond loan (IPO, Initial Public Offering - OPSO) was placed for a share corresponding to a nominal value of EUR 123,5 million, with an annual coupon of 3,75%, and in August part of the collection was used for the early repayment of 50% of the nominal value of the 2013-2019 bond loan, with a 6% coupon, previously issued (exercise of the call provided for in the Loan Regulation). In October 2017, a public purchase and exchange offer (Public Bid for Acquisition and Exchange - OPAS) was finally held concerning the residual 50% of the nominal value of the 2013-2019 bond loan still present after the early repayment. The consideration consisted in n.1 newly issued 2017-2023 bond for each 2013-2019 bond brought into membership, as well as a monetary consideration. On November 8, 2017, the offer ended with a subscription to the Public Bid for Acquisition and Exchange (OPAS) for 11,76% of the 2013-2019 bonds subject to the same offer (nominal value of EUR 5,9 million). The residual 2013-2019 bonds not included in the subscription, with a nominal value of EUR 44,3 million, continue to be listed on the MOT (the screen-based market run by the Italian Stock Exchange - Borsa Italiana S.p.A.). The total emission of 2017-2023 bonds was therefore equal to EUR 129,5 million.
These transactions, resulting in an extension of the duration of financial debt, the significant decrease in the recognized coupon and the collection of significant additional financial resources for the investment plan, have led to an overall improvement in the financial structure. In addition to the emission of the 2017-2023 bond loan, the Group also benefited from the divestments made. To date, therefore, the Company has significant financial resources for new transactions, consistent with the objectives defined by the Strategic Plan being implemented.

Group performance

The consolidated income statement for the 15-month period ended on December 31, 2017, shows a Group profit of EUR 16,9 million, strongly influenced by the positive effect of the sale of the Livanova Plc securities carried out in the period by the companies Tower 6 bis S.r.l. and Bios S.p.A., owned by Mittel S.p.A. and consolidated using the equity method, which led to the recognition of profits equal to approximately EUR 42,1 million. This effect was partially offset mainly by impairment losses of EUR 8,0 million (almost entirely explained by the write-downs of property inventories carried out at the end of the year) and by the Group's net financial charges (equal to EUR 10,3 million, affected by non-recurring costs of EUR 4,5 million related to the transaction carried out during the year on the bond loan). In regards to the operating margin, the persistence of a negative value of EUR 5,6 million (negative for EUR 16,6 million in the 12-month period ended on September 30, 2016) is attributable to the only partial contribution of the positive operating margins of majority shareholdings in Ceramica Cielo S.p.A. and IMC S.p.A., acquired respectively on June 30, 2017 and on September 30 2017. The full positive effect on revenues and margins deriving from the consolidation of the results of the new acquisitions will therefore be visible only from the next financial year.

The Group's shareholders' equity as of December 31, 2017 amounted to EUR 223,9 million, down by EUR 29,1 million compared to the EUR 253,0 million as of September 30, 2016. The relevant proceeds from sales of Livanova securities and the other equity investments sold during the period are essentially neutral to the Group's shareholders' equity, since the corresponding assets were already valued at fair value as of September 30, 2016. Therefore, the reduction of the Group's shareholders' equity is mainly attributable to net operating costs, value adjustments and net financial expenses of the Group, income components only partially mitigated by the aforementioned contribution for a limited period of the positive margins of the newly acquired companies.

The consolidated (negative) net financial position amounts to EUR 101,1 million, an increase compared to the EUR 54,5 million recorded as of September 30, 2016, mainly attributable to the net effect of liquidity investments for acquisitions made by the Group during the period and the collections deriving from disposals, as well as the dividend distributions made in the period by the investee Tower 6 bis (consolidated at equity). As of December 31, 2017, the financial resources generated by the sale of Livanova Plc shares, carried out by Bios S.p.A., have not yet been entirely distributed to the parent company.

Financial highlights of the Group

The income statement, balance sheet and financial statements presented below are shown in a reclassified form in compared to those contained in the subsequent paragraphs, in order to highlight certain intermediate levels of results and the balance sheet and financial aggregates considered most significant for understanding the Group's operating performance. These amounts, even if not envisaged by the IFRS / IAS, are provided in compliance with the indications contained in Consob Communication No. 6064293 of July 28, 2006 and in the CESR Recommendation of November 3, 2005 (CESR / 05-178b).

This report contains numerous indicators of financial results, deriving from financial statements, which summarize the Group's economic, equity and financial performance. The indication of economic values not directly deducible from the balance sheet, as well as the presence of comments and evaluations, contribute to better qualifying the dynamics of the different values.

Main economic data of the Group

(Thousands of Euro)	31.12.2017 (15 months)	30.09.2016 (12 months)
Revenue and other income	72.484	9.718
Variations in inventories	(10.821)	(2.790)
Net Revenue	**61.663**	**6.927**
Purchases, provision of services, sundry costs	(42.796)	(16.880)
Personnel costs	(24.491)	(6.627)
Operating costs	**(67.287)**	**(23.508)**
Operating margin (EBITDA)	**(5.624)**	**(16.580)**
Amortisation/depreciation, allocations and adjustments to non-current assets	(3.302)	(686)
Value adjustments to inventories	(8.007)	(7.240)
Share of income (loss) of investments	42.295	25.242
Operating result (EBIT)	**25.362**	**736**
Profit (loss) from financial management	(10.315)	(2.331)
Profit (loss) from management and evaluation of financial assets and receivables	(2.641)	(14.808)
Profit (loss) from trading of financial assets	354	61
Profit (loss) before taxes	**12.760**	**(16.342)**
Taxes	2.407	4.739
Profit (loss) from continuing operations	**15.167**	**(11.603)**
Profit (loss) pertainig to non controlling interests	(1.684)	(7.098)
Profit (loss) pertainig to the Group	**16.851**	**(4.506)**

It should be noted that the revenues of the industrial sectors consolidated as of December 31, 2017 (represented by the Nursing Homes sector, controlled by Gruppo Zaffiro and consolidated for 14 months, by the design sector, in which Ceramica Cielo operates and consolidated for 6 months, and by the automotive sector, in which IMC operates and consolidated for 3 months) are particularly significant and amount to EUR 54,0 million, corresponding to about 90% of the consolidated net revenues. The contribution of these industrial sectors, however, limited to the months indicated above, is not sufficient to generate a positive consolidated operating margin. The difference between net revenues and consolidated operating costs is, in fact, negative for EUR 5,5 million. Furthermore, in that financial year, the net result benefited significantly from the economic effect of the disposal of additional non-core assets, represented in particular by the equity investment in Livanova Plc held by the companies Bios S.p.A. and Tower 6 bis S.a.r.l. (consolidated at equity), partially offset by value adjustments of inventories and net financial charges.

With regard to the most significant items mentioned above, the following is noted.

- **Net revenue:** the reclassified item includes the income statement items and other income and presents a balance of EUR 72,5 million as of December 31, 2017 (EUR 9,7 million as of September 30, 2016). This balance is the combined result of the following factors:
  (i) Recognition of revenues amounting to EUR 70,6 million (EUR 8,0 million as of September 30, 2016); the main contributors to this item are:
    - The Nursing Homes sector (Gruppo Zaffiro and subsidiaries) for EUR 29,4 million (14 months);
    - The Real Estate sector for EUR 16,2 million (EUR 5,9 million as of September 30, 2016);
    - The Automotive sector (IMC S.p.A. and Balder S.r.l.) for EUR 11,0 million (3 months);
    - The Design sector (Ceramica Cielo S.p.A.) for EUR 10,5 million (6 months);
    - The Advisory sector for EUR 3,2 million (EUR 1,2 million as of September 30, 2016);
  (ii) Recognition of other income amounting to EUR 1,9 million (EUR 1,7 million in the comparison period);

- **Variations in inventories:** the negative contribution recorded in the current year, equal to EUR 10,8 million (EUR 2,8 million as of September 30, 2016), is explained by the net effect of:
  (i) The reduction due to the unloading of the cost of sales of property inventories for EUR 14,1 million (EUR 5,3 million as of September 30, 2016);

(ii) The increase in property inventories for costs capitalized during the period by EUR 0,7 million (EUR 2,5 million as of September 30, 2016);
(iii) The net increase in inventories of the automotive sector by EUR 1,7 million;
(iv) The increase in inventories of the design sector by EUR 0,9 million.

- **Costs for purchases, provision of services, sundry costs**: the item, totaling EUR 42,8 million (EUR 16,9 million as of September 30, 2016), is strongly influenced by the operating costs of the companies subject to the first consolidation and includes purchase costs of EUR 13,6 million (EUR 2,3 million in the comparison period), service costs of EUR 24,6 million (EUR 9,6 million as of September 30, 2016) and sundry costs of EUR 4,6 million (EUR 4,9 million as of September 30, 2016). The main contributors to the overall item are:

(i) The Nursing Homes for EUR 13,0 million;
(ii) The Automotive sector for EUR 9,2 million;
(iii) The Mittel S.p.A. Parent Company for EUR 7,5 million (EUR 7,0 million in the comparison period, which however had a shorter duration, equal to 12 months);
(iv)The Design sector for EUR 6,7 million;
(v) The Real Estate sector for EUR 3,5 million (EUR 4,2 million in the comparison period, 12 months).

- **Personnel costs**: the item shows a balance of EUR 24,5 million (EUR 6,6 million as of September 30, 2016), including EUR 13,9 million from the Nursing Homes sector, EUR 3,9 million relating to the Mittel S.p.A. Parent Company (in line with those of the comparison period, but decreasing, taking into account the different duration of the two financial years), EUR 2,7 million attributable to the advisory sector and EUR 1,7 million related to the automotive sector.

- **Amortisation/depreciation, allocations and adjustments to non-current assets**: the item, not significant as of September 30, 2016 (when it had a total balance of EUR 0,7 million), had a total balance of EUR 3,3 million as of December 31, 2017, explained by:
  (i) The depreciation of tangible and intangible assets for EUR 2,6 million, mainly due to the amortization of intangible and tangible assets relating to newly acquired companies; in particular, the Automotive sector contributed to the item for EUR 1,1 million, the Nursing Homes sector for EUR 0.8 million, and the Design sector for EUR 0,4 million;
  (ii) The net provisions for risks and charges of EUR 0,7 million, attributable EUR 0,2 million to the Real Estate sector, EUR 0,1 million to the Parent Company, EUR 0,1 million the the advisory sector, EUR 0,1 million to the design sector, EUR 0,1 million to the automotive sector, and the remainder to other companies of the Group.

- **Value adjustments to inventories**: the item, which presents a balance of EUR 8,0 million (EUR 7,2 million as of September 30, 2016) is almost entirely explained by the value adjustments recorded at the end of the year when assessing the real estate assets held.

- **Share of income (loss) of investments**: the item, positive for EUR 42,3 million (positive for EUR 25,2 million in the comparison period), is explained almost entirely by the result deriving from the consolidation in equity of Tower 6 bis S.a.r.l. and Bios S.p.A., which in the period sold the entire residual portion of Livanova shares in full, with the subsequent recognition in the income statement of the related profit from sale (already recognized in the balance sheet in previous years, as a result of the fair value adjustment of the shares held by investees, as a contra-item to the appropriate valuation reserve previously booked to equity, eliminated in the period as a result of the recognition of profit from transfer to this income statement item).

- **Profit (loss) from financial management**: it presents a net negative balance of EUR 10,3 million (negative by 2,3 million in the comparison period); the item is mainly attributable to the negative contribution of the Mittel S.p.A. Parent Company (EUR 10,7 million), which presents a financial income of EUR 4,5 million (primarily attributable to the interest accrued on the financial receivables held) and financial expenses of EUR 15,1 million (of which EUR 4,5 million relating to non-recurring costs connected to the overall transaction performed between July and October 2017, which entailed the recognition of the redemption costs of the portion of the 2013-2019 bond, subject to early repayment and exchange, which occurred at a value higher than the carrying amount, and costs from the initial recognition of the 2017-2023 bond loan); the Parent Company's negative net contribution (equal to EUR 10,7 million), that of the Nursing Homes sector (EUR 0,9 million) and that of the Automotive sector (EUR 0,4 million), is mainly offset by the contribution, positive for EUR 1,7 million, of the subsidiary Ghea S.R.L., attributable to the interest income accrued in the period on the receivable owed to Bios S.p.A.

- **Profit (loss) from management and evaluation of financial assets and receivables**: the item contributes negatively to the consolidated income statement by EUR 2,6 million (negative contribution of EUR 14,8 million as of September 30, 2016) and is influenced by the net effect of:
  (i) Net income from investments of EUR 9,9 million (EUR 8,7 million in the comparison period), mainly explained by the sale of listed securities made by the Parent Company in the period, which led to the recognition of EUR 4,3 million total profits (EUR 3,0 million attributable to UBI Banca and EUR 1,3 million to Intesa Sanpaolo), and by the sale of minority interests in Castello SGR (profit of EUR 3,2 million), in ISA (profit of EUR 0,7 million) and in Credit Access (profit of EUR 0,6 million).
  (ii) Value adjustments of financial assets and receivables, amounting to EUR 12,5 million (EUR 23,5 million in the comparison period) due to the effect of: (i) the adjustment to fair value of mutual real estate funds and investment vehicles held by the Group, which entailed a total value adjustment of EUR 2,7 million (EUR 2,5 million on the comparison period); (ii) impairment losses on loans recognized on the basis of the update of their valuation at the end of the year, equal to EUR 9,9 million (EUR 21 million in the comparison period).

Main financial and equity data of the Group

(Thousands of Euro)	**31.12.2017**	**30.09.2016**
Intangible assets	68.862	41
Property, plant and equipment	43.915	3.764
Investments	55.939	88.133
Non-current financial assets	107.054	137.958
Provisions for risks, employee severance indemnity and employee benefits	(7.069)	(3.185)
Other non-current assets (liabilities)	495	(163)
Tax assets (liabilities)	(1.974)	2.590
Net working capital (*)	81.046	98.100
Net invested capital	**348.268**	**327.239**
Equity pertaining to the Group	(223.915)	(252.971)
Non controlling interests	(23.218)	(19.782)
Total Equity	**(247.134)**	**(272.754)**
Net financial position	**(101.134)**	**(54.485)**

(*) Comprised of the sum of property inventories, sundry receivables (payables) and other current assets (liabilities)

As detailed below, the composition of the aforementioned items, and in particular of the intangible and tangible assets, reflects the first effects of the acquisition process envisaged by the Group's strategic lines. The units of net invested capital attributable to Gruppo Zaffiro S.r.l. and to the companies controlled by it, Ceramica Cielo S.p.A. and IMC - Industria Metallurgica Carmagnolese S.p.A. (and its subsidiary Balder S.r.l.), amounted respectively to EUR 47,1 million, EUR 18,7 million and EUR 43,3 million. On the other hand, the progress of the process of disposal of non-core assets led to a reduction in the related balance sheet items (non-current equity investments and financial assets). The current value of the net financial position, which is higher than previous closings, reflects the increase in net invested capital determined by the net effect of acquisitions and disposals.

Intangible assets amount to EUR 68,9 million (insignificant item in the comparison period). The item includes, for EUR 40,4 million, the goodwill recognized at the time of acquisition (in November 2016) of Gruppo Zaffiro S.r.l., a company in charge of the homonymous group active in the nursing homes sector, for an amount of EUR 1,1 million allocated to the brand upon completion of the PPA activity within 12 months of the acquisition. As of June 20, 2017, goodwill was also recognized, amounting to EUR 9,0 million and currently not allocated to other corporate assets, relating to the acquisition (on June 22, 2017) of 80% of Ceramica Cielo S.p.A., a company active in the production and marketing of designer ceramic sanitary-ware and accessories intended for the luxury sector in Italy and abroad. Lastly, as of September 30, 2017, as a result of the acquisition, through a vehicle in which Mittel S.p.A. holds a 75% stake, of 100% of IMC (which includes 100% of a further company active in the same sector, Balder S.r.l.), the consolidated financial statements item was supplemented by a total amount of EUR 35,5 million, amount reduced to EUR 19,3 million as of December 31, 2017 as a result of the partial allocation to tangible assets held by IMC (which resulted in the allocation of related deferred taxes).
The goodwill of the last two acquisitions was provisionally determined pending the conclusion of their allocation process (PPA) to the assets subject of the business combinations acquired, to be completed pursuant to IFRS 3 within 12 months from the acquisition date.

Property, plant and equipment amount to EUR 43,9 million (EUR 3,8 million as of September 30, 2016) and are significantly affected by the entry into the consolidation perimeter of the Automotive sector, which contributes to the item for EUR 24,9 million (including partial allocation to the IMC press fleet of the goodwill recognized at the time of acquisition), of the Nursing Homes sector, which contributes to the item for EUR 10,0 million (of which EUR 8,1 million related to the RSA of Rivignano acquired in leasing in April 2017 and on which restructuring works are being completed), of Ceramica Cielo, which contributes EUR 5,5 million (of which EUR 3,3 million attributable to land and buildings and EUR 1,9 million to plant and machinery).

Investments totaled EUR 55,9 million (EUR 88,1 million as of September 30, 2016). As of December 31, 2017 the item is composed almost entirely of investments held by the Mittel S.p.A. Parent Company, in Bios S.p.A. (EUR 50,0 million) and in Mittel Generale Investimenti S.r.l. (EUR 5,4 million) and decreased with respect to the comparison period, due to the distributions made by Tower 6 bis S.a.r.l., which involved the substantial elimination of said investment.

Non-current financial assets amount to EUR 107,1 million and refer: i) for EUR 81,8 million (EUR 100,2 million in the comparison period) to non-current financial receivables, mainly relating to the credit positions held by the Parent Company (EUR 59,7 million), in addition to the receivable (attributable to the equity rights of class B shares held) due to Ghea S.r.l. from Bios S.p.A. (EUR 20,6 million); ii) for EUR 25,3 million (EUR 37,6 million in the comparison period) relating to financial asses available for sale, represented mainly by real estate UCI units held by the Parent Company and by shares in investment vehicles held by the Parent Company and by Earchimede S.p.A.

Provisions for risks, employee severance indemnity and employee benefits amount to EUR 7,1 million (EUR 3,2 million as of September 30, 2016). In particular, as of December 31, 2017, this item is composed, for EUR 4,8 million, of Provisions for personnel (EUR 1,4 million in the comparison period) and, for EUR 2,3 million, of Provisions for risks and charges (EUR 1,8 million in the comparison period). Gruppo Zaffiro (for EUR 1,7 million), Ceramica Cielo S.p.A. (for EUR 1,3 million), Mittel S.p.A. (for EUR 0,8 million) and the Automotive sector (EUR 0,6 million) mainly contributed to the Provisions of personnel item.

The item **other non-current assents (liabilities)** totals EUR 0,5 million (a negative EUR 0,2 million in the comparison period). The item is composed of other receivables and other assets of EUR 0,6 million (EUR 0,3 million as of September 30, 2016), and other payables and liabilities of EUR 0,1 million (EUR 0,5 million in the comparison period).

The item **net tax assets (liabilities)** is negative for EUR 2,0 million (positive for EUR 2,6 million as of September 30, 2016) and consists of the sum of current tax assets of EUR 9,5 million (EUR 10,8 million as of September 30, 2016) and deferred tax assets of EUR 0,4 million (EUR 1,3 million in the comparison period), offset by deferred tax liabilities of EUR 10,2 million (EUR 9,5 million in the comparison period) and current tax liabilities for EUR 1,6 million (an insignificant item in the comparison period and mainly attributable for EUR 0,6 million to Ghea, for IRAP, for EUR 0.5 million to the Design sector, for IRES and IRAP, and for EUR 0,4 million to the Automotive sector, for IRES and IRAP.

Net working capital amounts to EUR 81,0 million (EUR 98,1 million as of September 30, 2016). The item is composed of: (i) the value of inventories of EUR 90,7 million (EUR 78,3 million attributable to property inventories, for EUR 4,6 million relating to Ceramica Cielo S.p.A. and for EUR 7,7 million pertaining to the Automotive sector), down compared to the EUR 98,1 million as of September 30, 2016 (which included exclusively property inventories, which were the object of the sale and write-downs described above); (ii) sundry receivables and other current assets for EUR 23,0 million, a net increase compared to the EUR 8,5 million in the comparison period, mainly thanks to the contributions of the Automotive sector (EUR 8,8 million), of Ceramica Cielo S.p.A. (EUR 7,1 million) and of the Nursing Homes sector (EUR 2,1 million); (iii) sundry payables and other current liabilities of EUR 32,6 million (EUR 10,0 million in the comparison period), to which the Automotive sector, Ceramica Cielo S.p.A. and the Nursing Homes sector contributed, respectively, for EUR 10,8 million, EUR 5,6 million and 4,0 million, while Mittel S.p.A. contributed EUR 10,1 million to the item, of which EUR 6,7 million relating to the liability recorded, pending the definitive ruling, as a contra-item of the collection received regarding an active tax dispute.

Net invested capital consequently amounts to EUR 348,3 million (EUR 327,2 as of September 30, 2016), financed by equity for EUR 247,1 million (EUR 272,8 million in the comparison period) and by the net financial position for EUR 101,1 million (EUR 54,5 million as of September 30, 2016).

Equity pertaining to the Group amounts to EUR 223,9 million (EUR 253,0 million as of September 30, 2016), while equity pertaining to minority interests amounts to EUR 23,2 million (EUR 19,8 million as of September 30, 2016).

In respect of the trend in consolidated equity and income items described, the negative **net financial position** amounted to EUR 101,1 million, as detailed, (EUR 54,5 million as of September 30, 2016). The detailed breakdown of each item is reported below.

Statement on the net financial position

(Thousands of Euro)	**31.12.2017**	**30.09.2016**
Cash	74	15
Other cash equivalents	155.397	84.974
Securities held for trading (*)	-	6.909
Current liquidity	**155.471**	**91.899**
Current financial receivables	**396**	**32.951**
Bank loans and borrowings	(63.089)	(77.872)
Bonds	(176.096)	(99.183)
Other loans and borrowings	(17.817)	(2.280)
Financial debt	**(257.002)**	**(179.335)**
Net financial position	**(101.134)**	**(54.486)**

(*) Available-for-sale assets posted under current assets and financial assets held for trading were reclassified to this item.

Information by business segment

Sector performance

As described in the introduction, in the previous year, specifically on March 30, 2016, the company approved the 2016-2019 strategic plan focused on the valorization of non-core assets in portfolio (listed securities, real estate and lending) and / or non-performing, in order to generate new resources for investments and in particular for the development of investment activity in the risk capital of small and medium-sized Italian companies with a high generation of cash flow.

As of December 31, 2017, the closing date of the 2016/2017 financial year, the company recorded a significant transformation of its assets through a process that saw the acquisition of three target companies, specifically (i) Gruppo Zaffiro S.r.l. (Nursing Homes - November 2016), (ii) Ceramica Cielo S.p.A. (Designer sanitary-ware - June 2017) and (iii) IMC - Industria Metallurgica Carmagnolese S.p.A. (Automotive components - September 2017), reinvesting the resources generated by the liquidation process of the non-strategic assets that were discontinued during the year (Livanova Plc, Castello SGR S.p.A., ISA S.p.A. and Credit Access Asia). In the results as of December 31, 2017, the effect of the economic consolidation of these entities is still partial, in fact Zaffiro S.r.l. has been included for 14 months, Ceramica Cielo S.p.A. for 6 months and Industria Metallurgica Carmagnolese S.p.A. for 3 months, while the next financial year will bring full consolidation of the margins generated by them.

In order to better redefine its financial sources with a medium to long-term perspective, the debt of the Mittel parent company was restructures through a six-year bond issue with a 3,75% coupon (2017-2023) for a total of EUR 129,5 million related to the partial extinction of the bond loan expiring in 2019 with a 6% coupon for EUR 55,5 million (exercise of partial redemption right, together with the public purchase and exchange offer, see also section "Equity and Investments Performance"). This process, in addition to allowing an extension of the average duration of the debt, which increased by about 4 years, allowed us to collect significant additional medium-long term financial resources for the Group's investment plan and to significantly reduce the cost of debt in relation to the new emission.

On the advisory services side, the current financial year saw the start of operations of the company Ethica & Mittel Debt Advisory S.r.l., established in partnership with the Ethica Corporate Finance S.p.A. operator in October 2016, in order to enhance the know-how developed in these years in debt management.

In the face of these significant events, as of December 31, 2017 the activities of the Mittel Group are divided into the following operating segments:

- **Equity and Investments:** sector referring to the Mittel parent company and to the residual package of minority holdings and closed-end private equity funds; the sector also includes the companies of the group currently in liquidation as they refer to initiatives concluded to date (for example, Outlets);

- **Nursing Homes sector:** the Group, following the acquisition of a 75% stake in the share capital of Gruppo Zaffiro S.r.l., is active in the Nursing Homes sector. Gruppo Zaffiro S.r.l. operates in the national health-care (nursing homes) sector, offering long term care services;

- ***Design*** **sector:** the Group, following the acquisition of an 80% stake in the share capital of Ceramica Cielo S.p.A, is active in the design, production and marketing of designer sanitary-ware, washbasins, toilets and bathroom furnishing accessories at an international level for the luxury sector;

- ***Automotive*** **sector:** the Group, following the acquisition of a 75% stake in Industria Metallurgica Carmagnolese S.p.A., is active in the automotive sector and in particular in the production of presses and mold construction and cold sheet metal molding;

- **Real Estate sector:** in the Real Estate sector, the Group carries out property development operations of a mainly residential / tertiary nature; Mittel also holds shares of two real estate funds;

- **Advisory Services:** the Group carries out activities aimed at corporate customers, private equity funds and Italian institutions.

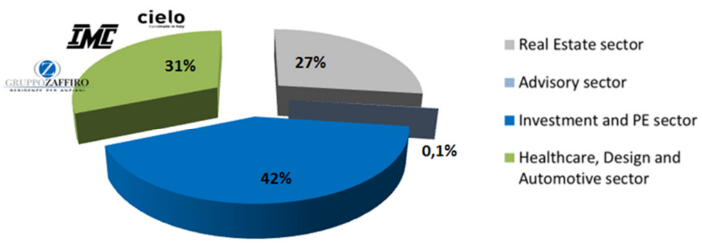
Information by activity sector

The level of aggregation of the business segments previously described is consistent with the current strategic configuration of the Group, as well as with the structure of performance audit (management control) activities. The related information on the performance of the sectors is therefore the primary disclosure used for the management of the Group, as required by IFRS 8. The segmentation by geographical area of the Group's activities is not significant since the Group's activities are focused at the national level.

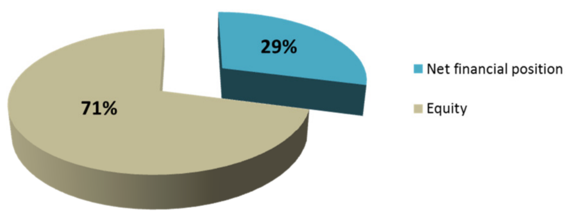
Sectoral groupings are defined by the following groups of companies (the main ones):

- Equity and Investments: Mittel S.p.A.; Bios S.p.A; Ghea S.r.l.; Earchimede S.p.A. Following the unification of the previous Entertainment / Outlet sector, Fashion District Group S.r.l. in liquidation is also included;
- Nursing Homes sector: Gruppo Zaffiro S.r.l. and controlled operating companies;
- Design sector : Ceramica Cielo S.p.A. and Mittel Design S.r.l. (acquisition vehicle);
- Automotive sector**:** Industria Metallurgica Carmagnolese S.p.A. and Balder S.r.l.;
- Real Estate sector: Mittel Investimenti Immobiliari S.r.l. and controlled operating companies; Parco Mediterraneo S.r.l.; real estate funds Augusto and Cosimo I;
- Advisory Services: Mittel Advisory S.r.l.; Ethica&Mittel Debt Advisory S.r.l.. Mittel Advisory Debt & Grant S.r.l.;

- INVESTED CAPITAL BY BUSINESS SECTOR -
EUR 348,3 million



- SOURCES OF FINANCING -
EUR 348,3 million



INCOME STATEMENT BY ACTIVITY SECTOR AND CONTRIBUTIONS TO GROUP RESULTS

It should be noted that in regard to the sectoral subdivision of the Income Statement, intra-group revenues and costs are reallocated to the respective sectors so as to measure the margin generation for each sector as if it were completely independent, in regards to the sector subdivision of the Balance Sheet, the receivables and payables of each sector include the positions in place with regard to the other sectors, as of each sub-group were autonomous.

as at 31 December 2017 (15 months)

Figures in millions of Euro	31 Dec 2017									
AGGREGATED \ CONSOLIDATED	**Revenue**	**Operating Costs**	**EBITDA**	**Amortization/ depreciation and impairments**	**Share of income (loss) of investments**	**Profit (loss) form financial management**	**Result and evaluation of financial assets and receivables**	**Taxes**	**Income (loss) pertaining to non-controlling interests**	**Income (loss) pertaining to the Group**
Investment and PE sector	1,9	-12,6	-10,7	-0,5	42,3	-5,2	-0,2	2,9	0,3	28,3
Healthcare sector	29,5	-27,2	2,3	-0,8	-	-1,0	-0,0	-0,6	-0,0	-0,1
Design sector	12,1	-9,4	2,7	-0,5	-	-0,1	-0,0	-0,7	0,3	0,9
Automotive sector	12,7	-10,9	1,8	-1,3	-	-0,4	-0,0	-0,3	-0,0	-0,1
Real Estate sector	3,2	-4,2	-0,9	-8,0	-	-3,2	-2,3	0,8	-2,3	-11,5
Advisory sector	3,3	-4,1	-0,8	-0,2	-	-0,0	-0,0	0,4	0,1	-0,7
IC ELIMINATION	-1,1	1,1	-	-	-	-0,0	-			
CONSOLIDATED TOTAL	**61,7**	**-67,3**	**-5,6**	**-11,3**	**42,3**	**-10,0**	**-2,6**	**2,4**	**-1,7**	**16,9**

as at 30 September 2016 (12 months)

Figures in millions of Euro	30 Sep 2016									
AGGREGATE / CONSOLIDATED	**Revenue**	**Operating costs**	**EBITDA**	**Amortization/ depreciation and impairments**	**Share of profit (loss) of investments**	**Profit (loss) from financial management**	**Management of financial assets and receivables**	**Taxes**	**Profit (loss) pertaining to non-controlling interests**	**Profit (loss) pertaining to the Group**
Investments and PE Sector	2,9	-15,4	-12,5	-0,5	25,2	1,1	-13,1	4,9	-6,8	12
Real Estate Sector	3,3	-5,3	-2,1	-7,3	-	-3,3	-0,6	0,2	-0,3	-12,9
Advisory Sector	1,3	-3,4	-2,1	0	-	-0,1	-1,1	-0,4	-	-3,6
IC ELIMINATION	-0,6	0,6	0	-	-	0	-			
CONSOLIDATED TOTAL	**6,9**	**-23,5**	**-16,6**	**-7,9**	**25,2**	**-2,3**	**-14,8**	**4,7**	**-7,1**	**-4,5**

STRUCTURE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

as at 31 December 2017 (15 months)

Figures in millions of Euro	31 Dec 2017									
AGGREGATED \ CONSOLIDATED	**Net working capital**	**Fixed assets**	**Other assets (liabilities)**	**Invested Capitale**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Pertaining to non-controlling interests**	**Pertaining to the Group**
Investment & PE sector	-7,0	151,0	1,7	145,6		28,3	174,0		13,4	160,5
Healthcare sector	-2,6	50,5	-1,4	46,4		-28,5	17,9		4,5	13,4
Design sector	6,0	14,6	-1,9	18,7		-5,9	12,8		1,7	11,1
Automotive sector	5,7	44,1	-6,5	43,3		-28,0	15,3		3,8	11,5
Real Estate sector	78,3	15,6	-0,1	93,8		-69,3	24,5		-0,4	25,0
Advisory sector	0,7	0,0	-0,3	0,4		2,3	2,6		0,2	2,5
IC ELIMINATION	-	-	-	-		-				
CONSOLIDATED TOTAL	**81,0**	**275,8**	**-8,5**	**348,3**		**-101,1**	**247,1**		**23,2**	**223,9**

as at 30 September 2016

Figures in millions of Euro	30 Sep 2016									
AGGREGATE / CONSOLIDATED	**Net working capital**	**Fixed assets**	**Other assets (liabilities)**	**Invested capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Pertaining to non-controlling interests**	**Pertaining to the Group**
Investments and PE Sector	-0,3	212,2	-0,6	211,2		20,4	231,6		18,2	213,4
Real Estate Sector	97,7	17,7	-0,2	115,2		-76,4	38,8		1,6	37,3
Advisory Sector	0,7	0,1	0,1	0,8		1,5	2,3		-	2,3
ELIMINAZIONE IC	-	-	-	-	-	-				
CONSOLIDATED TOTAL	**98,1**	**229,9**	**-0,8**	**327,2**		**-54,5**	**272,8**		**19,8**	**253**

Equity and Investments Performance

Figures in Euro/000		
Investment and PE sector	**31-Dec-17**	**30-Sep-16**
Fixed assets	151.003	212.163
Equity	173.982	231.611
Net financial position	28.342	20.373

The Equity and Investments Sector includes the Mittel S.p.A. parent company and the residual portfolio of minority shareholdings and private equity investment vehicles, for which a process of disposal is being carried out, compatibly with the characteristics of the individual asset, in order to independently generate the resources to be used for majority investments as per the Strategic Plan. Starting from the current financial year, as well as in the comparative data, the group headed by Fashion District Group S.r.l. in liquidation, previously attributable to the "Outlet & Entertainment" sector, to date decommissioned, is included in this sector. In this regard, it should be noted that on May 18, 2017 the escrow of EUR 5,0 million was fully issued as a guarantee for the sale of outlets previously held by the Group (November 2014).
At the asset level, the performance of the sector in the 15 months (decrease in equity of EUR 174,0 million) was mainly characterized by the process of disposal of non-core assets held directly (Castello SGR S.p.A., ISA S.p.A.), or indirectly (Livanova Plc) by the Mittel parent company, with subsequent reinvestment of the resources generated in the new development areas and thus giving life to the RSA (Nursing Homes), Design and Automotive sectors. The planned continuation, also in the course of 2018, of the new investment activity will lead to a progressive loss of importance of this sector. The reduction in Fixed Assets as of December 31, 2017 to EUR 151,0 million (EUR 212.2 million as of September 30, 2016) is therefore the direct effect of what was described above together with the reduction in non-current financial receivables deriving from collection, which occurred in the period, of EUR 13,8 million by Mittel Generale Investimenti S.r.l. (position previously covered by Liberata S.r.l.). It should be noted that this value of fixed assets still includes the investment held by the parent company in Bios S.p.A. (which held a stake in Livanova Plc), valued at equity at EUR 50,0 million, since the process of distributing financial resources to shareholders has not been completed yet.
The net financial position of the sector, although still positive at EUR 28,3 million, reflects a significantly different composition as a result of the emission during the year of the Mittel 2017-2023 bond loan, at a rate of 3,75%, for a total of EUR 129,5 million with a simultaneous exercise of partial early repayment (up to 50% and therefore EUR 49,6 million) and subsequent exchange offer (EUR 5.9 million) on the previous Mittel 2013-2019 bond loan, issued in 2013 at a rate of 6,00%, and to date in place for a nominal amount of EUR 44,3 million. This transaction allowed the Group to extend the average duration of the Group's debt by approximately 4 years, aligning it with the new growth project (private equity investments with a long-term perspective), while reducing the cost of debt (from 6,00% to 3,75%) and collecting new resources for development.

As a result of the rationalization process of the Group's participatory structure, as well as of the liquidations described above, from an economic standpoint the sector recorded a positive result of EUR 28,3 million (Group and Third Parties) in the period under review (15 months). The important operation of disposal of non-core assets carried out led to a significant positive impact for the Group deriving from the contribution of approximately EUR 42,1 million (EUR 25,2 million as of September 30, 2016) from the disposal of Livanova Plc carried out through Bios S.p.A. and Tower 6 Bis S.a.r.l. (to date, the Group no longer holds shares in Livanova Plc). The contribution of the ''result from the management and measurement of financial assets and receivables", on the other hand, is negative fro EUR 0.4 million as of December 31, 2017 (negative for EUR 13,1 million as of September 30, 2016) and is the result of the positive effect generated by the disposal of Castello SGR S.p.A., ISA S.p.A. and of the residual portion held at the start of the financial year by Credit Access Asia N.V., and the adjustments to the private equity fund portfolio and to other assets made during the period.
In terms of operating costs, the rationalization of the Group undertaken in the previous financial tear and still ongoing (company mergers, internal reorganization with the exit of the General Manager and other figures within the Group), involves, for the 15-month period, a negative Ebitda of EUR 10,6 million, a significant improvement compared to September 30, 2016, when, in the 12-month period, this value was negative for EUR 12,5 million.

Performance of the Nursing Homes, Design and Automotive sectors

The outlook for the Private Equity sector for 2018 is a further increase in the number of transaction in almost all European markets, with a focus on small and medium-sized businesses and on the healthcare /pharmaceutical, company logistics and services, media and telecommunications sectors. The expectations of the sector operators are to maintain or even further increase the multiples related to the transactions, even though in 2017 they already reached levels higher than those expected (source: Roland Berger European Private Equity Outlook 2018). Also in Italy, the sector is characterized by a high level of competitiveness, with multiple subjects currently present, such as Italian and foreign private equity funds, investment holding companies and club deals. In the first 9 months of the 2017 financial year, 78 investments were closed, an increase in comparison to the 73 deals made in the previous financial year (source: Private Equity Monitor).

The Group's new investments are focused on the acquisition of majority shareholdings in small and medium-sized Italian companies with a high generation of cash flow and are carried out according to a logic of permanent capital with the aim of creating entrepreneurial strategies focused on creating long-term value. The investments made, as well as those that are still being analyzed by the Group's management, favor projects in which a build-up operation or creation of supply chains is possible. Specifically, in the financial year ended on December 31, 2017 the following three majority acquisitions were made:

- Gruppo Zaffiro S.r.l, Nursing Homes sector, with a 75% stake
- Ceramica Cielo S.p.A., Design sector, with an 80% stake
- Industria Metallurgica Carmagnolese S.p.A., with a 75% stake

In all the investments made, a minority share was maintained by the seller partner, which in the case of Gruppo Zaffiro S.r.l. and Ceramica Cielo S.p.A. was also reconfirmed as CEO, while in Industria Metallurgica Carmagnolese S.p.A. a new managing director was appointed, in agreement with the seller partner who to date is still a shareholder with a 25% stake.

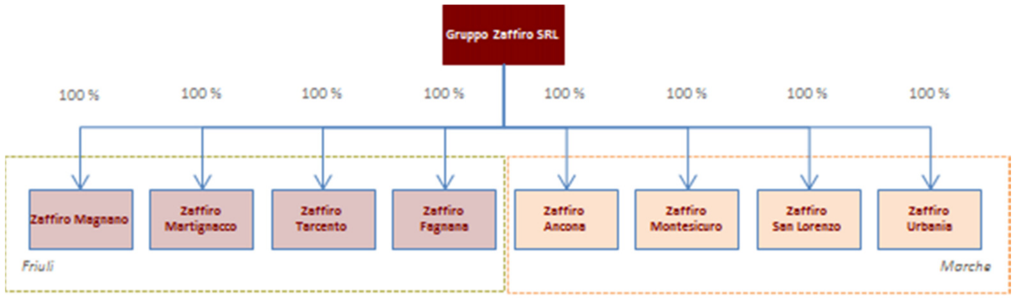
a) Nursing Home sector

<u>The Acquisition Operation</u>

On November 18, 2016, Mittel acquired, through a total investment of approximately EUR 13,5 million, a 75% stake in the share capital of Gruppo Zaffiro S.r.l. (''Gruppo Zaffiro"), an operator in the Italian healthcare / nursing home sector. At the acquisition date Gruppo Zaffiro S.r.l. was present in two Italian regions (Friuli Venezia Giulia and Marche) with 8 facilities and about 900 beds.

The acquisition was carried out with an ad hoc vehicle (Zorro S.r.l.), subsequently merged into Gruppo Zaffiro, with a total investment of EUR 27,3 million, financed (i) proportionally by Mittel for EUR 13,5 million and by Bluestone S.r.l. for EUR 4,5 million, a company referable to the former majority (and now minority) shareholder and managing director of the company, Mr. Gabriele Ritossa, and (ii) through a bank loan obtained from Zorro S.r.l.

The operation is part of a wider project that Mittel has undertaken in the health-care (nursing homes) sector since Gruppo Zaffiro represents a platform on which to build a process of aggregation of other local entities operating in the same sector, with the aim of becoming a point of reference in Italy over the next few years. Indeed, the Nursing Homes sector shows structural growth trends linked to demographic and social factors and to a still very fragmented supply structure with significant aggregation spaces.



ZaffiroGroupat acquisition date (18 Nov 2016)

Consistent with the build-up logic, Gruppo Zaffiro, in 2017 focused its efforts on various fronts and specifically: (i) in the management of the 8 structures of which it holds the management component (Magnano, Martinaccio, Tarcento, Fagagna, Ancona, Montesicuro, San Lorenzo and Urbania) in order to achieve an optimal employment level and (ii) in the search for new development opportunities: (a) management (acquisition of Nursing Home branches already active) and (b) Real Estate (understood as the acquisition of areas on which to build a Nursing Home or buildings to restore).
In 2017, the acquisition of a Nursing Home in Rivignano was completed, which involved an investment, including the renovation of the related property, of approximately EUR 9,0 million, and which will be inaugurated by mid-2018, and of which the Group will hold both the real estate component and the management. Further investment opportunities with a build-up perspective are underway. In this regard, in the first few months of 2018 a company branch relating to the management of a Nursing Home in Sanremo was acquired. Thanks to these operations, Gruppo Zaffiro manages to date about 1.100 beds.

Trend in the 14-Month Period

Healthcare sector (14 months) *Figures in Euro/000*	**Sector**	***acquisition cost (one off cost)***	***Start up***	**Gruppo Zaffiro S.r.l.**	**%**
Revenue	29.485			29.485	
Operating costs	-27.184	*(562)*	*(462)*	-26.160	
EBITDA	2.301	*(562)*	*(462)*	3.325	*11,3%*
Profit (loss)	-68	*(562)*	*(398)*	892	

The trend of the sector in the period is significantly influenced by the development activity that has affected its margins, benefitting the build up process of the Group's structure. It should lastly be considered that during said financial year there was a significant component of costs related to the structuring and execution of the transaction and the merger of the vehicle used for the acquisition, Zorro S.r.l. into Gruppo Zaffiro.

In the 14 months of the contribution to the Mittel consolidation (conventionally, the period taken as reference in the present situation was from November 11, 2016 to March 31, 2017), the revenues generated by the 8 operating structures managed by Gruppo Zaffiro (Zaffiro Magnano S.r.l., Zaffiro Martignacco S.r.l., Zaffiro Tarcento S.r.l., Zaffiro Fagagna S.r.l., Zaffiro Ancona S.r.l., Zaffiro Montesicuro S.r.l., Zaffiro San Lorenzo S.r.l., Zaffiro Urbania S.r.l.) amounted to EUR 29,5 million with a Gross Operating Margin of EUR 3,3 million. Considering the entire Nursing Home sector, the result for the period is negative (EUR 0,1 million) mainly due to the costs incurred for the acquisition (held by Zorro S.r.l. for approximately EUR 0,6 million) as well as for the phase to launch some initiatives in the Group's portfolio that did not lead to revenue generation for the 2017 financial year, recording only development costs.

At the balance sheet level, the sector presents a net financial position of EUR 28,5 million, which includes, not only acquisition finance debt contracted at the time of Mittel's entry into capital, but also the EUR 6,0 million lease used to finance the acquisition of the Nursing Home in Rivignano, which took place during the year, as well as the potential earn-out to be recognized in the 2019 financial year based on the future results achieved by the 8 Gruppo Zaffiro S.r.l. facilities operating from the acquisition date (to date estimated at EUR 7,5 million, depending on their growth plans).

b) Design sector

The Acquisition Operation

On June 22, Mittel acquired an 80% stake in the Ceramica Cielo S.p.A. company ("Ceramica Cielo"), an active *player* in the production and marketing of ceramic sanitary-ware and accessories intended for the luxury sector in Italy and abroad. Dr. Alessio Coramusi, a founding member of Ceramica Cieo, maintained the position of Chief Executive Officer and at the same time remained a shareholder with a 20% stake.

The acquisition was carried out with an ad hoc vehicle (Mittel Design S.r.l.), wholly owned by Mittel, with a total investment of EUR 14,6 million, financed (i) by Mittel for EUR 10,2 million and (ii) through a bank loan obtained by Mittel Design S.r.l.

Trend in the 6-Month Period

Design sector (6 months) *Figures in Euro/000*	**Sector**	***acquisition cost (one off cost)***	**Ceramica Cielo S.p.A.**	**%**
Revenue	12.093		12.093	
Operating costs	-9.416	*(381)*	-9.036	
EBITDA	2.676	*(381)*	3.057	*25,3%*
Profit (loss)	1.242	*(453)*	1.695	*14,0%*

The trend of the sector, and specifically of Ceramica Cielo S.p.A., in the period subsequent to the acquisition date, confirmed the positive prospects identified at the time of acquisition in June 2017. In fact, in the second part of the year the company maintained very high growth and profitability rates (more than 25%).
Revenues relating to the 6-month consolidation in Mittel (from July 1, 2017 to December 31, 2017) amounted to EUR 12,1 million with an EBITDA of EUR 3,1 million (a 12-month projection, therefore higher than EUR 6 million), with a margin of over 25%. This trend leads to a positive contribution in terms of net result by Ceramica Cielo S.p.A. for EUR 1,7 million in just 6 months of inclusion in the consolidated financial statements.

c) Automotive Sector

The Acquisition Operation

On September 27, 2017, Mittel acquired a share of 75% of the I.M.C. company - Industria Metallurgica Carmagnolese S.p.A. ("IMC"), an active *player* in the automotive components sector. The agreement signed provides that the seller, Roblafin Holding S.r.l., remains a shareholder with a 25% stake. Prior to closing, IMC acquired 100% of Balder S.r.l., a smaller company operating in the same sector.

The acquisition was carried out with an ad hoc vehicle (Mittle Automotive S.r.l.), subsequently merged into IMC, with a total investment of EUR 48,5 million, financed: (i) proportionally by Mittel for EUR 16,9 million (of which EUR 11,6 million by way of capital increase and EUR 5,3 million by way of a shareholder loan) and by Roblafin for EUR 5,6 million (of which EUR 3,9 million by way of a capital increase and EUR 1,7 million by way of a shareholder loan) and (ii) through a bank loan obtained by Mittel Automotive S.r.l.

Trend in the 3-Month Period

Automotive sector (3 months) *Figures in Euro/000*	Sector	*acquisition cost (one off cost)*	IMC + Balder (consolidated)	%
Revenue	12.720		12.720	
Operating costs	-10.897	*(717)*	-10.180	
EBITDA	1.823	*(717)*	2.540	*20,0%*
Profit (loss)	-173	*(717)*	543	*4,3%*

The sector, currently composed of IMC S.p.A. and of the 100% controlled subsidiary company Balder S.r.l., subject to consolidation for only 3 months, contributed positively to the Group's operating result for EUR 0,5 million. Specifically, revenues for the period from October 1, 2017 to December 31, 2017 totaled EUR 12,7 million (EUR 11,7 million referable to IMC S.p.A. and EUR 1,1 referable to Balder S.r.l.). The result for said period, net of acquisition costs incurred mainly by the Mittel Automotive S.r.l. then merged into IMC, includes depreciation relating to the company's tangible assets for EUR 1,1 million, non-recurring provisions and adjustments of EUR 0,2 million, a negative financial result for EUR 0,4 million and taxes for EUR 0,3 million.

Trend of the Real Estate sector

With regard to the Real Estate sector, intended as the development of initiatives in the residential and tertiary sector based on subsequent retail sales on the market, the Group is currently proceeding with the disposal of the existing portfolio, limiting its investments to the completion of the only initiative already in portfolio with significant market appeal. As of today, the residential development is due to be completed by MiVa S.r.l., located in Via Vespri / Via Metauro in Milan, in an area with a high demand for housing units.

According to a note from March 2018 (Agenzia delle Entrate, OMI), the real estate market at the end of 2017 grew for the eleventh consecutive quarter with a new acceleration in the housing sector, (+ 6,3% in the period between October and December 2017), after more than a year of gradual slowdown. Milan and Florence were the two big cities with the biggest increase in trade. The sales of cellars and attics increased by 12,2% and the sales of garages and parking spaces increased by 3,8%.

Figures in Euro/000	*(15 months)*		*(12 months)*
Real Estate sector	**31-Dec-17**	**var%**	**30-Sep-16**
Revenue	16.626	*175%*	6.051
Variations in inventories	(13.417)		(2.790)
EBITDA	**(947)**		**(2.056)**
Inventory value adjustments	(7.857)		(7.240)
Inventories (Real Estate)	**78.321**		**99.591**

The 15-month period ended on December 31, 2017 showed a marked acceleration of the process of disposal of the portfolio held by the Group through the real estate sub-holding company Mittel Investimenti Immobiliari S.r.l. The revenues generated by the sector amounted to EUR 16,6 million (+ 175%) with a positive trend in all the orders located in Milan and in the province, mainly in detail: (i) Santarosa S.r.l., EUR 6,1 million, a company situated in the building located in Milan, in Piazzale Santorre di Santarosa, the deeds of construction began in June 2016; (ii) Lucianita S.r.l., EUR 3,1 million, a company linked to the property in Milan, Via Lomellina 12, an initiative substantially completed as of today; (iii) Mittel Investimenti Immobiliari, EUR 2,7 million, which holds the residential complex located in the Municipality of Arluno (MI); (iv) CAD S.r.l., EUR 2,6 million, a company which linked to the residential complex located in the Municipality of Paderno (MI) and (v) Iniziative Nord Milano S.r.l., EUR 1,5 million, a company that owns the residential complex located in the Municipality of Bresso (MI).

The result of the sector (negative for EUR 11,5 million) is influenced by the write-down of some real estate inventories, as evidenced by the results of the appraisals drawn up by the external expert. Some contracts currently stalled and referable to construction sites that are not residential and / or not located near the Milan metropolitan area, have undergone a downward revision of their market value. Specifically, the adjustments of EUR 7,9 million as of December 31, 2017 mainly concerned the initiatives carried out by the companies (i) Parco Mediterraneo S.r.l. (in Belpasso, CT) for EUR 4,2 million; (ii) Gamma Tre S.r.l. and Fede S.r.l. (in Como) for EUR 2,1 million.

The capital invested by the Group in the real estate sector as of December 31, 2017 amounted to EUR 93,8 million (EUR 115,2 million as of September 30, 2016). This is related to i) the write-down and sales property inventories for the effects described above, which amounted to EUR 78,3 million (EUR 99,6 million as of September 30, 2016) and ii) the reduction in the value of shares held in the closed-end real estate funds Augusto and Cosimo I for EUR 15,6 million, previously EUR 17,7 million, due to a decrease in the NAV following mainly divestment transactions at values below the price list, carried out with the same funds in the first part of 2017.

Trend of the Advisory Services sector

Figures in Euro/000	*(15 months)*		*(12 months)*
Advisory sector	**31-Dec-17**	**%**	**30-Sep-16**
Advisory M&A	1.392	*42%*	573
Debt advisory	1.954	*58%*	739
Revenue	**3.347**		**1.312**

Revenues from the Advisory Services sector include the operating results of the companies of the Group active in the standard advisory sector (Mittel Advisory S.r.l.) as well as in the debt advisory sector (Ethica & Mittel Debt Advisory S.r.l.), the latter is a company in which the Group has a 51% shareholding. As already described, in order to relaunch the business in the Debt&Grant advisory branch, in October 2016 Ethica & MIttel Debt Advisory S.r.l. was established, 51% owned by the Mittel Group and in which Mittel's Chief Executive Officer is Chairman.

In the 15-month period ended on December 31, 2017, the sector had a positive performance in terms of revenues (EUR 3,3 million against the EUR 1,3 million as of September 30, 2016) but negatively contributed to the Group's operating margin for EUR 0,8 million, mainly because of non-recurring items from the restructuring of the business carried out by Mittel Advisory Debt & Grant S.r.l. (EUR 0,8 million and mainly related to adjustments to trade receivables and to the settlement of previous disputes).

From a financial standpoint there were no significant changes in the sector, with invested capital standing at EUR 0,4 million as of December 31, 2017 (EUR 0,8 million as of September 30, 2016).

Performance of the Parent Company

Dear Shareholders,

Your Company closed the financial statements for the 15-month period ended on December 31, 2017 with a net loss of EUR 4,6 million, a net reduction compared to the net loss of EUR 30,8 million recorded as of September 30, 2016.

The economic performance of the holding company benefited from the rationalization measures implemented during the financial year, which led to a containment of operating costs and, in parallel, the continuation of the process of valuing non-core assets in the portfolio, in line with the strategy defined at the Group level, for details of which reference should be made to the foregoing in the section relating to the performance of the Group as a whole.

In particular, net operating costs, amounting to EUR 9,5 million as of December 31, 2017, were slightly down compared to the comparison period (EUR 9,6 million as of September 30, 2016), despite referring to a longer period (15 months compared to the standard 12-month duration of the financial year end on September 30, 2016).

Income from equity investments and participatory financial assets amounted to EUR 50,9 million (EUR 51,5 million as of September 30, 2016) and are represented by dividends distributed by investee companies, which totaled EUR 43,2 million (EUR 43,7 million as of September 30, 2016), and by gains from disposals of assets for EUR 7,6 million (EUR 7,8 million as of September 30, 2016).

The value adjustments on equity investments, financial assets and receivables, totaling EUR 41,6 million, show a net reduction compared to the EUR 72,1 million of the previous financial year.

The result of financial management, which was negative for EUR 6,7 million as of December 31, 2017 (negative for EUR 0,8 million in the comparison period), is mainly due to non-recurring costs of EUR 4,5 million related to the restructuring of the financial sources undertaken by the Company between the months of July and October 2017, described in the section relating to the performance of the Group.

Shareholders' equity as of December 31, 2017 amounts to EUR 167,3 million and is in contrast with the EUR 174,0 million of the financial year ended on September 30, 2016, with a decrease of EUR 6,7 million.

The net financial position is positive for EUR 7,2 million (negative for EUR 17,0 million as of September 30, 2016.

Economic and financial summary and result indicators of Mittel S.p.A.

Main economic, financial and equity data of Mittel S.p.A.

(Thousands of Euro)	31.12.2017 (15 months)	30.09.2016 (12 months)
Revenue and other income	1.954	1.236
Purchases, provision of services, sundry costs	(7.465)	(7.000)
Personnel costs	(3.946)	(3.868)
Net operating costs	**(9.457)**	**(9.632)**
Dividends	43.230	43.732
Gains (losses) from investments and financial assets	7.626	7.782
Operating margin (EBITDA)	**41.398**	**41.882**
Amortisation/depreciation and allocations	(412)	(395)
Operating result (EBIT)	**40.986**	**41.487**
Profit (loss) from financial management	(6.701)	(804)
Value adjustments to investments and financial assets	(41.644)	(72.117)
Profit (loss) from trading of financial assets	354	61
Profit (loss) before taxes	**(7.004)**	**(31.373)**
Taxes	2.412	603
Net profit (loss) for the year	**(4.592)**	**(30.770)**

With regard to the most significant items mentioned above, the following is noted.

- **Revenues and other income**: EUR 2,0 million, compared to the EUR 1,2 million as of September 30, 2016.

- **Purchases, provision of services, sundry costs**: EUR 7,5 million compared to the EUR 7,0 million recorded as of September 30, 2016, decreased considering the different duration of the two financial years; the reclassified item included: (i) costs for services of EUR 5,2 million (EUR 5,3 million as of September 30, 2016) and (ii) sundry costs of EUR 2,3 million (EUR 1,7 million as of September 30, 2016).

- **Personnel costs**: EUR 3,9 million, for the 15-month period, substantially in line with that of the comparison period (which lasted 12 months).

- **Dividends:** EUR 43,2 million (EUR 43,7 million as of September 30, 2016), including EUR 27,8 million relating to the distributions made by Tower 6 bis S.a.r.l. during the year, related to the full sale of the stake previously held in Livanova, and EUR 15,3 million attributable to the distribution of reserves during the year by the subsidiary company Earchimede S.p.A.

- **Profit (loss) from investments and financial assets**: EUR 7,6 million (EUR 7,8 million as of September 30, 2016), mainly explained by the gains obtained with the sale of the investment in Castello SGR S.p.A., equal to EUR 1,4 million), and by profits from the sale of UBI Banca shares (EUR 3,0 million), Intesa Sanpaolo (EUR 1,3 million), ISA (EUR 0,7 million) and Credit Access (EUR 0,6 million).

- **Profit (loss) from financial management**: negative for EUR 6.,7 million as of December 31, 2017 (negative for EUR 0,8 million in the comparison period). The item is attributable to the net effect of financial income of EUR 8,5 million (EUR 8,1 million in the previous year), mainly referable to interest income accrued on financial receivables, and financial charges of EUR 15,2 million (EUR 8,9 million in the comparison period). The increase in financial charges is mainly due to non-recurring costs of EUR

4,5 million related to the restructuring of financing sources made by the Company between the months of July and October 2017, which is described in the section on Group performance.

- **Value adjustments on investments and financial assets**: they amount to a total of EUR 41,6 million (EUR 72,1 million as of September 30, 2016) and refer to:
  (i) Value adjustments to investments of EUR 31,2 million (EUR. 68,9 million in the comparison period), of which EUR 16,5 million recorded on the subsidiary Earchimede S.p.A. (to be read in conjunction with the aforementioned distribution of reserves carried out in the year by the investee company), EUR 9,5 million on the subsidiary Mittel Investimenti Immobiliari S.r.l. (largely attributable to the losses in value recorded on property inventories held mainly through real estate vehicles owned by the investee company, the Group's real estate sub-holding company), EUR 4,2 million on Tower 6 bis (to be read together with the significant distributions carried out during the year), and EUR 1,0 million on Mittel Advisory Debt and Grant S.p.A.;
  (ii) Value adjustments to financial assets and receivables of EUR 10,4 million, compared to EUR 3,3 million in the previous year. The item is explained for EUR 1,7 million from the write-down of financial assets available for sale and for EUR 8,7 million to value adjustments on some financial receivables held, for the alignment of the assessment with the recovery forecasts and the expected collection times at the balance sheet date.

Main financial and equity data of Mittel S.p.A.

(Thousands of Euro)	31.12.2017	30.09.2016
Intangible assets	30	40
Property, plant and equipment	3.428	3.653
Investments	63.280	72.862
Non-current financial assets	93.473	107.024
Provisions for risks, employee severance indemnity and employee benefits	(1.709)	(1.735)
Other non-current assets (liabilities)	160	160
Tax assets (liabilities)	7.640	8.911
Net working capital (*)	(6.217)	85
Net invested capital	**160.085**	**191.002**
Total Equity	**(167.321)**	**(174.005)**
Net financial position	**7.236**	**(16.997)**

(*) Comprised of the sum of property inventories, sundry receivables (payables) and other current assets (liabilities)

Tangible and intangible assets amount to EUR 3,5 million (EUR 3,7 million in the previous year) and are mainly explained by the building in which the company has its registered office, which amounts to EUR 3,2 million.

Investments amount to EUR 63,3 million and are in contrast with the EUR 72,9 million for the financial year ended on September 30, 2016. The reduction in the item is explained by the net effect of:
- Increases for a total of EUR 27,0 million, explained for the EUR 26,1 million by the equity share of the total contributions to the company vehicles used during the year for the three acquisitions made by the Group (EUR 13,5 million relating to Zorro S.r.l., EUR 11,6 million to Mittel Automotive, inversely merged into IMC, and EUR 1,0 million to Mittel Design, a vehicle to which 80% of Ceramica Cielo S.p.A. is responsible);
- Reduction of EUR 5,3 million due to the sale of the stake previously held in Castello SGR;
- Value adjustments totaling EUR 31,2 million, recognized as a result of the impairment test carried out at the end of the financial year, which led, as previously described, to write-downs of EUR 16,5 million on

Earchimede S.p.A., for EUR 9,5 million on Mittel Investimenti Immobiliari S.r.l. and for EUR 1,0 million on Mittel Advisory Debt and Grant S.p.A.

Non-current financial assets amount to EUR 93,5 million and are in contrast with the EUR 107,0 million for the financial year ended on September 30, 2016, with a decrease of EUR 13,5 million due essentially to the effects of:

- The decrease of EUR 4,9 million in non-current financial receivables, which went from EUR 79,2 million to EUR 74,3 million, due to the net effect of disbursing shareholder loans to vehicles used for acquisitions for a total of EUR 15,6 million, net reductions for collections and interest of EUR 8,1 million and adjustments for a total of EUR 8,7 million;
- The decrease of EUR 8,6 million in the sundry non-current financial assets item, which went from EUR 27,8 million to EUR 19,2 million due to: (i) reductions from the sale of assets and collections for a total of EUR 6,5 million; (ii) net valuation reductions of EUR 2,1 million.

Provisions for risks, employee severance indemnity and employee benefits amount to EUR 1,7 million, substantially in line with the previous year. In particular, as of December 31, 2017, this item includes EUR 0,8 million in provisions for personnel and EUR 0,9 million in provisions for risks and charges.

The item **Tax assets** amounts to EUR 7,6 million and is in contrast with the EUR 8,9 million of the previous year, with a decrease of EUR 1,3 million. The item mainly consists of tax receivables due to excessive down payments made by Hopa S.p.A. and passed to Mittel S.p.A. at the time of the incorporation carried out by the latter to the net of utilizations made during the financial year.

The **net working capital**, consisting of sundry receivables and other current assets and of sundry payables and other current liabilities, is negative for EUR 6,2 million (negative for EUR 0,1 million in the previous year), with an increase of EUR 6,3 million. The change refers to an increase of EUR 1,1 million in sundry receivables (from EUR 4,8 million to EUR 5,9 million), a net increase in sundry payables and sundry liabilities, equal to EUR 7,4 million (from EUR 4,7 million to EUR 12.1 million), explained for EUR 6,7 million from the liability recognized, pending final judgment, in return for a collection received in connection with an active tax dispute.

Equity amounts to EUR 167,3 million and is in contrast with the EUR 174,0 million as of September 30, 2016, with a reduction of EUR 6,7 million. The change occurred is attributable to the net effect of:

- The loss for the year of EUR 4,6 million;
- The negative change in the valuation reserve for a total of EUR 2,5 million, mainly due to the release to the income statement of positive reserves in place as of September 30, 2016 for available-for-sale financial assets sold during the year;
- The accounting in accordance with IFRS 2 of the Stock Appreciation Rights plan, which led to an increase in shareholders' equity of EUR 0,4 million.

The **net financial position** is positive for EUR 7,2 million and is in contrast with the negative EUR 17,0 million of the previous year, with an overall improvement of EUR 24,2 million, to which the following factors contributed, among other things: in positive terms, the receipt of dividends for EUR 43,2 million, the sale of investments and financial assets available for sale (non-current) for a total of EUR 12,9 million and the collections of non-current financial receivables of EUR 8,1 million; in negative terms, the acquisitions made during the year by the Group, which entailed net outflows for the Company (between equity and debt) for a total of EUR 40,7 million.
In terms of components, the following table provides a breakdown of the changes in the amounts included in the company's net financial position.

Statement on the net financial position

(Thousands of Euro)	31.12.2017	30.09.2016
Cash	6	8
Other cash equivalents	124.905	56.235
Securities held for trading(*)	-	6.909
Current liquidity	**124.911**	**63.152**
Current financial receivables	**70.301**	**94.574**
Bank loans and borrowings	(9.508)	(72.859)
Bonds	(176.096)	(99.183)
Other loans and borrowings	(2.372)	(2.681)
Financial debt	**(187.976)**	**(174.723)**
Net financial position	**7.236**	**(16.997)**

(*) This item includes the current available for sale financial assets and financial assets held for trading.

Information on the main investee companies

Main companies controlled by Mittel S.p.A.

- **Gruppo Zaffiro S.r.l.** (75%): for information on the investee company and its subsidiaries, which were the object of acquisition during the financial year, please refer to the extensive information provided in other sections of this report, in particular in the section relating to the Group's operating segments (Nursing Homes sector), and to the consolidated explanatory note.

- **Ceramica Cielo S.p.A.** (80%): for information relating to the company, invested through the company vehicle Mittel Design S.r.l. (100% Mittel) and subject to acquisition during the year, please refer to the extensive information provided in other sections of this report, in particular in the section relating to the Group's operating segments (Design sector), and to the consolidated explanatory note.

- **IMC S.p.A.** (75%): for information on the company and its wholly-owned subsidiary company Balder S.r.l., which was acquired during the financial year, please refer to the extensive information provided in other sections of this report, in particular in the section relating to the Group's operating segments (Automotive sector), and to the consolidated explanatory note.

- **Mittel Advisory S.r.l.** (100%)
  The Company operates in the advisory sector, offering corporate finance, debt restructuring and corporate governance consulting services.

Economic figures (***thousands of Euro***)	**31.12.2017 (15 months)**	**30.09.2016 (12 months)**
Production value	1.397	573
Production costs	(1.392)	(1.794)
Operating result	**5**	**(1.221)**
Financial income and expenses	8	43
Profit (loss) before taxes	**13**	**(1.178)**
Taxes	183	115
Net result	**196**	**(1.063)**

Assets and liabilities figures (*thousands of Euro*)	31.12.2017	30.09.2016
Total assets	2.517	2.548
Total liabilities	149	376
Equity	**2.368**	**2.172**

Mittel Advisory S.r.l. closed the October 1, 2016 - December 31, 2017 financial year with a profit of approximately EUR 0,2 million (a loss of approximately EUR 1,1 million as of September 30, 2016), shareholders' equity totaling EUR 2,4 million (EUR 2,2 million as of September 30, 2016) and revenues of EUR 1,4 million (EUR 0,6 million as of September 30, 2016).

❖ **Mittel Advisory Debt and Grant S.r.l.** (100%)
Mittel Advisory Debt and Grant S.r.l. has been active for many years in the area of customer consultancy in the analysis and procurement of alternative and complementary financing sources to the banking system (including subsidized loans and non-repayable grants).
In October 2016, the company transferred the company unit relating to the above-mentioned activity in Ethica & Mittel Debt Advisory S.r.l., of which it holds a 51% stake. In February 2018 the residual mandates headed by Mittel Advisory Debt & Grant, which were managed by the subsidiary company pursuant to a specific mandate, were sold to the same subsidiary company. At the date of this report, therefore, Mittel Advisory Debt & Grant holds a stake in Ethica & Mittel Debt Advisory.

Economic figures (*thousands of Euro*)	31.12.2017 (15 months)	30.09.2016 (12 months)
Production value	869	775
Production costs	(2.147)	(2.723)
Operating result	**(1.278)**	**(1.948)**
Financial income and expenses	(28)	(86)
Profit (loss) before taxes	**(1.306)**	**(2.034)**
Taxes	290	(481)
Net result	**(1.016)**	**(2.515)**

Assets and liabilities figures (*thousands of Euro*)	31.12.2017	30.09.2016
Investments	88	-
Other assets	749	1.914
Total assets	**837**	**1.914**
Total liabilities	**803**	**1.717**
Equity	**34**	**197**

The company closed the October 1, 2016 - December 31, 2017 financial year with a loss of EUR 1,0 million (loss of EUR 2,5 million as of September 30, 2016), partly explained by non-recurring personnel costs and legal fees, related to litigation, one of which closed amicably during the year.

Ethica & Mittel Debt Advisory S.r.l. (51%)
The company, which in October 2016 benefited from the transfer of the company units of Mittel Debt & Grant S.p.A. and of Ethica Corporate Finance S.p.A. relating to Debt Advisory, is active in the area of customer advisory services in the analysis and procurement of alternative or complementary financing sources to the banking system (including subsidized loans and non-repayable grants).

Economic figures (*thousands of Euro*)	**31.12.2017 (15 months)**	**30.09.2016 (12 months)**
Production value	1.822	-
Production costs	(1.547)	(1)
Operating result	**275**	**(1)**
Financial income and expenses	-	-
Profit (loss) before taxes	**275**	**(1)**
Taxes	(92)	-
Net result	**183**	**(1)**

Assets and liabilities figures (*thousands of Euro*)	**31.12.2017**	**30.09.2016**
Total assets	1.271	38
Total liabilities	905	-
Equity	**366**	**38**

The company closed the October 1, 2016 - December 31, 2017 financial year with a profit of around EUR 0,2 million, with revenues of EUR 1,8 million. At the end of the financial year, shareholders' equity amounted to approximately EUR 0,4 million.

- **Mittel Investimenti Immobiliari S.r.l.** (100%)
The Mittel Group, through Mittel Investimenti Immobiliari S.r.l., operates in the real estate sector, holding investments in the residential and tertiary sector, both directly and through investee companies.

Economic figures (*thousands of Euro*)	**31.12.2017 (15 months)**	**30.09.2016 (12 months)**
Production value	780	(984)
Production costs	(1.327)	(1.859)
Operating result	**(547)**	**(2.843)**
Financial income and expenses	368	166
Value adjustments to investments	(7.663)	(10.134)
Profit (loss) before taxes	**(7.842)**	**(12.811)**
Taxes	238	74
Net result	**(7.604)**	**(12.737)**

Assets and liabilities figures (*thousands of Euro*)	**31.12.2017**	**30.09.2016**
Investments	3.837	6.691
Financial receivables	61.478	70.159
Property inventories	8.812	10.938
Other assets	2.190	1.494
Total assets	**76.317**	**89.282**
Total liabilities	**65.974**	**71.335**
Equity	**10.343**	**17.947**

The result for the financial year as of December 31, 2017 (15 months) shows a loss of EUR 7,6 million, which is compared to the loss of EUR 12,7 million for the financial year ended on September 30, 2016 (12 months). The loss for the financial year is affected by value adjustments on equity investments for a total of EUR 7,8 million (EUR 10,1 million in the previous financial year), which refer to the effect of updating the estimate of the recoverable value of equity investments, carried out on the basis of the shareholders' equity of the companies, which in turn incorporate the valuations of the real estate assets held by them. The valuation of the properties held by the aforementioned subsidiary companies was carried out with the support of external evaluators.

Shareholders' equity as of December 31, 2017 amounted to EUR 10,3 million, compared to the EUR 17,9 million for the year ended on September 30, 2016. This change was determined by the effect of the loss recorded during the year. Having accrued losses such as to reduce the capital by more than a third, leading the company to pay in the case referred to in art. 2482 bis of the Italian Civil Code, on March 14, 2018 the shareholders' meeting of Mittel Investimenti Immobiliari S.r.l. covered the accounting losses by zeroing the reserves, and reducing the share capital for the corresponding part to cover the other losses. Lastly, the company's share capital was voluntarily reduced to the amount of EUR 1.000.000,00, since it was deemed excessive with respect to the company's activities in the context of the Group's strategic plan, setting aside the amount of reduced capital.

Direct investments of Mittel Investimenti Immobiliari S.r.l.

Arluno – Via Giorgio Ambrosoli
The Company, in the area acquired in December 2008 in Arluno (MI), completed in April 2013 the construction of a residential complex consisting of 2 4-floor buildings, as well as attics and taverns, for a total of 98 apartments, 105 underground garages, and 44 outdoor parking spaces.
As of December 31, 2017, 32 apartments, 23 garages and 10 parking spaces were sold for a counter-value of EUR 5,2 million (of which EUR 2,7 million refer to the year ended on December 31, 2017).

Mittel Investimenti Immobiliari S.r.l.'s Investments

Cad Immobiliare S.r.l. (100%)
The company, on the property in the municipality of Paderno Dugnano (MI), in a central position and in the immediate vicinity of the railway station, created a residential complex consisting of 149 apartments and about 1.800 tertiary / commercial square meters, as well as 2 underground garage floors and public areas, such as a library, a square with a portico and underground public parking.
As of December 31, 2017, 100 apartments and 111 garages were sold for a counter-value of EUR 24,8 million (of which EUR 2,6 million refer to the financial year ended on December 31, 2017).
As of December 31, 2017, the company recorded a loss of EUR 0,9 million (a loss of EUR 2,3 million as of September 30, 2016) and a negative shareholders' equity of EUR 0,1 million.
The result for the financial year includes value adjustments on the property investment held by the company for EUR 0,3 million as a result of the lower valuation of cost and market of the real estate asset held by the latter. The valuation of the property held by the company was carried out with the support of external evaluators.
The loss shown in the financial statement for the financial year ended on December 31, 2017 is relevant for the purposes of art. 2482-ter of the Italian Civil Code, and therefore under this provision it was deemed necessary to require the parent company to waive part of its financial receivable. The parent company of the real estate sector, Mittel Investimenti Immobiliari S.r.l., has guaranteed the business continuity of Cad Immobiliare S.r.l. with the appropriate capitalization measures.

Lucianita S.r.l. (51%)
The company owns a building complex in Milan, in via Lomellina 12, which is almost completed.
As of December 31, 2017, 42 apartments, 74 garages and 11 storage spaces were sold for a counter-value of EUR 20,5 million (of which EUR 3,1 million refer to the financial year ended on December 31, 2017). 2 apartments, 22 garages and 12 storage spaces are still on sale, in relation to which several offers were collected.
As of December 31, 2017, the company recorded a loss of EUR 0,9 million (a loss of EUR 0,4 million as of September 30, 2016) and shareholders' equity of EUR 1,2 million.

Gamma Tre S.r.l. (100%)
The company owns an area in Como with a disused industrial complex (about 15.800 square meters of buildings on an area of 22.000 square meters) in Via Cumano, and an office building in Via Canturina of about 1.800 square meters, as well as more than 800 square meters of basement and external yard area.
For the area of Via Cumano, the approved Recovery Plan and the related Convention signed in November 2010, with expiration date extended to November 2018 for the completion of the urbanization works, allow the construction of 5 residential towers for a total volume of 38.200 cubic meters, which can be increased up to 10%, for a total of over 200 apartments, achievable by October 2023. In order to guarantee security to the area, the contract for the demolition of existing buildings was commissioned

and completed this financial year.
At a later stage, the project and its implementation will be evaluated in several stages, in relation to the performance of the real estate market in the purchase and sale of residential properties. Negotiations are currently under way for the sale of the building area to local and / or cooperative operators.
As of December 31, 2017, the company recorded a loss of EUR 1,9 million (a loss of EUR 0,8 million as of September 30, 2016) and shareholders' equity of EUR 0,5 million.
The result for the financial year includes value adjustments on the property initiatives held by the company for EUR 1,5 million (EUR 0,6 million in the previous financial year) due to a lower valuation of cost and market of the property inventories held by the company. The valuation of the property inventories held by the company was carried out with the support of external evaluators.

Breme S.r.l. (100%)
The company has built an 8-floor building totaling 4.010 commercial square meters, as well as an underground garage with 55 parking spaces, outdoor green areas and an uncovered parking lot with 20 parking spaces, in Milan - in Via Di Breme 78. The works were completed and the final test was carried out in February 2014.
Since January 1, 2015, a tenancy agreement is currently underway with automatic renewal for a further period of six years of the entire first floor plus other portions of the building used as a warehouse and for other services, as well as a few covered and uncovered parking spaces.
As of September 30, 2017, the company recorded a loss of EUR 0,5 million (a loss of EUR 1,8 million as of September 30, 2016) and shareholders' equity of EUR 0,1 million.
The valuation of the property inventories held by the company was carried out with the support of external evaluators and did not entail the recognition of write-downs during the financial year.

Fede S.r.l. (100%)
The company owns two real estate complexes located in Vimodrone (MI) and in Felizzano (AL).
i) Vimodrone (MI) - this is an industrial / non-industrial complex of approximately 5.000 square meters on which the contracting company Ediltecnica S.r.l. carried out the planned renovation and expansion woks for the related individual sales. The works were completed and inspected.
ii) Felizzano (AL) - this is an insistent real estate compendium in an area of 11.720 square meters, with industrial warehouses, warehouses and offices, covering a commercial area of 46.500 square meters, currently vacant and free.

As of December 31, 2017, the company recorded a loss of EUR 1,1 million (a loss of EUR 1,2 million as of September 30, 2016) and shareholders' equity of EUR 0,3 million.
The result for the financial year includes value adjustments on the real estate initiatives held by the company for EUR 0,6 million (EUR 0,7 million in the previous financial year) as a result of the lower valuation of cost and market of real estate inventories held by the company. The valuation of the property inventories held by the company was carried out with the support of external evaluators.

Iniziative Nord Milano S.r.l. (100%)
The company owns a directional / industrial / non-industrial building complex in Bresso (MI), consisting of three lots that were progressively restructured. During the financial year, sales totaled EUR 1,5 million.
As of December 31, 2017, the company recorded a loss of EUR 1,4 million (a loss of EUR 1,1 million as of September 30, 2016) and shareholders' equity of EUR 0,2 million.
The result for the financial year implements value adjustments on the property investment held by the company for EUR 1,2 million (EUR 0,7 million in the previous financial year) due to the lower valuation of cost and market of real estate inventories held by the company. The valuation of the property inventories held by the company was carried out with the support of external evaluators.

MiVa S.r.l. (100%)
The company's activities are aimed at enhancing the real estate complex located in Milan, in Via Vespri Siciliani 29 and in Via Metauro 9, currently under construction.
Following some slowdowns due to the difficult situation of the general contractor initially identified, in July 2017 a building authorization request was presented in order to follow up on the completion of the building. Construction is expected to start in the first half of 2018.
As of December 31, 2017, the company recorded a net loss of EUR 0,5 million (a loss of EUR 2,5 million as of September 30, 2016) and shareholders' equity of EUR 2,5 million.
The lower valuation of cost and market of real estate inventories did not require any adjustments to the value of the initiative (while adjustments of EUR 1,2 million took place in the previous financial year). This valuation was carried out with the support of external evaluators.

Santarosa S.r.l. (100%)
The company's activities are aimed at enhancing the real estate complex located in Milan, in Piazzale Santorre Santarosa 9.
In 2012, following the request for the required building permits, an unfinished building of about 5.000 square meters was built, with a total gross floor area for tertiary use, which, in 2013, following a specific request, was changed to residential use.
On June 19, 2014, the company Mangiavacchi Pedercini S.p.A. was put in charge of completing the building. The works are being completed, only a few real estate units and the commercial part facing the road remain unfinished, in order to allow the future user to choose the most suitable finishes for the final use of the building.
As of December 31, 2017, 22 apartments, 17 garages and a commercial unit were sold for a total counter-value of EUR 8,2 million (of which EUR 6,0 million refer to the financial year ended on December 31, 2017).
The company, as of December 31, 2017, reported a loss of EUR 0,7 million (a profit of EUR 0,2 million as of September 30, 2016) due essentially to interest expense, which amounted to EUR 0,8 million and presented a net equity of EUR 0,2 million.

Regina S.r.l. (100%)
The company Regina S.r.l. is the owner of a real estate complex located in Via Regina 23 in Como, acquired in July 2011 together with the signing of the Agreement with the Municipality, implementing the previously approved Plan for the construction of a residential building with volume equal to 6.731 square meters.
Checks are under way on the executive planning for the tendering process between companies and the planning of the start-up times of the works, compatibly with the trend of the real estate market, as well as with the expiration date of the Convention which was extended to March 2019.
As of December 31, 2017, the company recorded a net loss of EUR 0,1 million (a loss of EUR 0,3 million as of September 30, 2016) with a shareholders' equity of approximately EUR 0,1 million.

- **Earchimede S.p.A.** (85,01%)
  The company holds private equity funds and investments. In regards to investments, an important one is the one held in Fashion District Group S.r.l., in liquidation for a stake of 66,67% of the share capital held equally, both directly and through the totalitarian subsidiary company FD33 S.r.l.
  It should also be noted that the Fashion District Group holds a 90% stake in the capital of the company Parco Mediterraneo S.r.l., owner of a land of about 600.000 square meters in Belpasso (Catania), to which the additional 10% quota held through the subsidiary company FD33 S.r.l. must be added.

Economic figures (***thousands of Euro***)	**31.12.2017 (15 months)**	**30.09.2016 (12 months)**
Production value	15	29
Production costs	(166)	(210)
Operating result	**(151)**	**(181)**
Financial income and expenses	2.249	3.491
Value adjustments to financial assets and liabilities	(5.750)	(9.790)
Profit (loss) before taxes	**(3.652)**	**(6.480)**
Taxes	34	39
Net result	**(3.618)**	**(6.441)**

Assets and liabilities figures (***thousands of Euro***)	**31.12.2017**	**30.09.2016**
Investments	8.903	13.903
Financial receivables	4.881	8.985
Cash and cash equivalents	3.035	17.018
Other assets	542	606
Total assets	**17.361**	**40.512**
Total liabilities	**1.651**	**3.165**
Equity	**15.710**	**37.347**

The company closed the financial statements on December 31, 2017 with a loss for the financial year of EUR 3,6 million (a loss of EUR 6,4 million as of September 30, 2016). The equity of Earchimede S.p.A. as of December 31, 2017 amounted to EUR 15,7 million (EUR 37,3 million as of September 30, 2016), down not just because of the recognition of the loss for the year, but also as a consequence of the distribution among shareholders, during the financial year, of share premium accounts.

The loss resulting from the draft financial statements as of December 31, 2017 was mainly due to the net effect of financial income of EUR 2,2 million, of which EUR 2,0 million for distributions made by the investee company Fashion District Group, and impairment losses for a total of EUR 5,8 million, relating to investments for EUR 5,0 million (of which EUR 3,5 million referable to Fashion District Group and EUR 1,5 million to FD33 S.r.l.) and to securities included among current assets for a total of EUR 0,7 million. The value of FD33 depends on the value of Fashion District Group, since the former holds 33,33% of the share capital of the latter. The value of Fashion District Group was estimated through the exposure of the current values of the individual assets that make up the company's capital and the updating of its passive elements. This approach determined the value of the economic capital of Fashion District Group in a total of EUR 7,2 million (EUR 17,7 million in the previous financial year), a value substantially in line with the company's net liquidation assets. This net equity decreased during the year mainly as a result of: (i) the described distributions of reserves made to shareholders, for a total of EUR 6,0 million; (ii) an update of the valuation of the investee company Parco Mediterraneo, in turn largely connected to the update of the value of the land held by the same company, carried out with the support of an appraisal by an external expert referred to December 31, 2017. This land is located in the Municipality of Belpasso (CT) and measures about 600.000 square meters, originally intended for the real estate project "Centro di Logistica Mediterraneo". During the financial year, activities aimed at a better / different development of the land continued. Furthermore, in regards to the administrative dispute subject to disclosure in previous financial years relating to the use of the land, on November 27, 2017 the Administrative Justice Council for the Region of Sicily, in its jurisdictional court, definitively pronounced and upheld the appeal of Parco Mediterraneo S.r.l., recognizing the validity of the three-year extension. Following this, the Municipality issued the certificate of change for the urban use of the land, reporting ''area intended for the construction of an industrial settlement", as it was originally. The company administrators immediately took steps to undertake all the appropriate measures to extend the effectiveness of the building stock, whose validity is currently guaranteed until July 1, 2018, evaluating all the actions necessary to protect the interests of the company.

- **Ghea S.r.l.** (51%)
  As of December 31, 2017, the company holds all the 681.818 class B shares in Bios S.p.A., which, pursuant to art. 26 of the bylaws, provide the holder with the right to participate with priority in respect to ordinary shares for the distribution of profits, as well as any reserve that was decided by the Shareholders' Meeting for an amount of EUR 17,0 million, to which an increase in a yield of 4,875% capitalized on an annual basis, starting from December 22, 2013, is added. During the financial year, thanks to the completion of the disposal of the stake previously held in Livanova by Bios S.p.A., Ghea S.r.l. fully cashed the unpaid credit previously held with Bios, recorded at purchase cost, lower than the nominal amount and interests. This collection therefore led to the recognition of substantial income on the income statement.

Economic figures (***thousands of Euro***)	**31.12.2017**	**31.12.2016**
Production value	-	-
Production costs	(42)	(45)
Operating result	**(42)**	**(45)**
Financial income and expenses	10.668	(19)
Value adjustments to financial assets and liabilities	-	-
Profit (loss) before taxes	**10.626**	**(64)**
Taxes	(3.033)	-
Net result	**7.593**	**(64)**

Assets and liabilities figures (*thousands of Euro*)	31.12.2017	31.12.2016
Financial fixed assets	14.032	14.032
Cash and cash equivalents	3.420	51
Other assets	64	5.181
Total assets	**17.516**	**19.264**
Total liabilities	**7.087**	**16.428**
Equity	**10.429**	**2.836**

As of December 31, 2017, the company, as a result of the collection of the receivable from Bios S.p.A. previously described, recorded a net profit of EUR 7,6 million and showed a net equity of EUR 10,4 million, a net increase compared to the EUR 2,8 million of the previous financial year.

Main companies subject to joint control and associates (subsidiary companies)

- **Bios S.p.A.** (50% of ordinary shares with voting rights)
The company, which held 7,38% of Livanova Ltd at the end of the previous financial year, completed the sale of such listed shares on the market during the financial year ended on December 31, 2017, fully repaying its residual financial indebtedness.
As of December 31, 2017, therefore, the company had exclusively liquid assets for EUR 121,7 million. Shareholders' equity amounted to EUR 120,5 million, a net increase compared to the EUR 82,6 million as of December 31, 2016, due to the EUR 37,9 million profit of the financial year, essentially explained by the capital gain recognized at the time of the sale of the Livanova shares. It is also recalled that, together with Mittel S.p.A., also to Bios, at the request of Snia S.p.A. in Extraordinary Administration, a writ of summons was notified in previous financial years, for the description of which please see the paragraph relating to legal cases, and we refer to the same paragraph in regards to the description of the provision (notice to comply) received in July 2015 from the Ministry of the Environment and for which Bios S.p.A. appealed before the Lazio Regional Administrative Court.

- **Mittel Generale Investimenti S.r.l.** (27%)
The company, for as long as it maintained the nature of an authorized financial intermediary pursuant to art. 106 and 107 of the Consolidated Banking Act (Testo Unico Bancario - T.U.B.), granted financial receivables (directly and / or through trade unions) and acted as a consultant in the organization of the financing of transactions of an extraordinary nature, carried out by private or institutional companies and investors, on the securities and real estate markets.
During the previous financial year Mittel Generale Investimenti S.r.l. ceased its activity as an authorized financial intermediary, continuing to operate in the mere activity of managing existing receivables, with the objective of making an efficient return from the held credit positions.
In addition, during the current year, the merger by incorporation into Mittel Generale Investimenti of its parent company, Liberata S.r.l., involving 100% of the capital of Mittel Generale Investimenti, took place. As a result of this merger, Mittel S.p.A., which held 27% of Liberata, currently holds the same percentage of capital as Mittel Generale Investimenti.
During the financial year, the investee company continued to carry out the functional actions for the collection of its own portfolio of financial receivables, using the assets deriving from such collections for the partial repayment of the vendor loan (formerly Liberata) outstanding towards Mittel.
As of December 31, 2017, the company had a net loss of EUR 1,7 million and a net equity of EUR 22,6 million. Residual financial receivables amounted to EUR 43,4 million (EUR 65,1 million as of September 30, 2016) and liquid assets to EUR 2,2 million. The vendor loan to Mittel amounted to EUR 24,4 million.

Significant events during the financial year

Implementation of the measures defined in the 2016-2019 Strategic Plan

On October 28, 2016, the Mittel Group and Ethica Corporate Finance S.p.A., through an integration of the respective activities in the Debt Advisory sector, established the new company Ethica & Mittel Advisory S.r.l., indirecly owned for 51% by Mittel S.p.A. and for 49% by Ethica Corporate Finance S.p.A. Ethica & Mittel Debt Advisory S.r.l. is the first Italian integrated platform for all debt advisory services. The new company aims, in fact, to assist medium and large companies as well as private equity funds in the structuring, organization and procurement of alternative, facilitated and structured bank loans, as well as in the restructuring of the existing bank debt. The new entity already manages in its portfolio a number of positions regarding corporate companies and private equity funds. The Presidency of the Board of Directors was entrusted to Ing. Rosario Bifulco (engineer), Chief Executive Officer of Mittel S.p.A., and Dr. Cosimo Vitola, Chief Executive Officer of Ethica Corporate Finance S.p.A., was appointed Managing Director.

On November 9, 2016, Mittel S.p.A., in line with the Guidelines of the 2016-2019 Strategic Plan, disclosed to the market on March 30, 2016, which envisage the focus on investment activity in a permanent capital perspective, purchased 75% of Gruppo Zaffiro, an important *player* in the Italian healthcare (nursing homes) sector. Dr, Gabriele Ritossa, a member of Zaffiro from the beginning, in addition to remaining a shareholder of the initiative through an investment equal to 25% of the capital, assumed the position of Chief Executive Officer.
This operation is part of a wider project by Mittel S.p.A. in the sector, within which the investment in Gruppo Zaffiro is consistent and complementary with other opportunities for study. Zaffiro represents a solid platform on which to create, together with Dr. Gabriele Ritossa, a process of aggregation of other local entities operating in the healthcare (nursing homes) sector, with the aim of becoming, over the next few years, a point of reference in the sector.
The Group consists of eight facilities - four in the Friuli Venezia Giulia region and fuor in the Marche region - for a total of about 900 beds. The structures are characterized by a high degree of internalization and a high quality level of the services offered.
The interest of Mittel S.p.A. in the project is based on the dynamics of the sector in question, which presents clear trends of structural growth, linked to demographic and social factors, and to a supply structure that is still very fragmented and with significant aggregation spaces. Gruppo Zaffiro presents a solid competitive position and has an interesting geographical presence (in the Friuli Venezia Giulia region and in the Marche region). The transaction also envisaged a significant reinvestment and the maintenance of the management role by the Group's former operating partner, who has gained considerable experience in the sector and which has strong entrepreneurial skills.

On April 11, 2017, Gruppo Zaffiro S.r.l., through a specifically constituted vehicle, acquired a new Nursing Home in Rivigano in the province of Udine. The new structure, for which a total investment of about EUR 9,0 million is planned, will have a total capacity of about 120 beds and was financed with a real estate lease. The purchase of the Nursing Home started Mittel Group's growth project in the sector.

On April 19, 2017, in execution of the preliminary contract signed in December 2016 between Mittel S.p.A. and Maire Investments S.p.A., the sale of the entire investment held by Mittel S.p.A. in Castello SGR S.p.A., equal to 21,81%, was completed. The operation led to a collection of EUR 6,7 million.

On June 22, 2017, Mittel S.p.A. acquired an 80% stake in Ceramica Cielo S.p.A., a *player* active in the production and marketing of designer ceramic sanitary-ware and accessories intended for the luxury sector in Italy and abroad. Dr. Alessio Coramusi, founding member of Ceramica Cielo, maintains the position of Chief Executive Officer and at the same time remains a shareholder with a 20% stake. Ceramica Cielo, founder in 1999 in Fabrica di Roma (VT), presents an operating margin (Ebitda) of more than 20%. The products, distributed under the "Cielo" brand, are characterized by a stylistically avant-garde design and materials are treated in an innovative way. The company devotes particular attention to R&D activities, experimenting with new styles and treating ceramics in an innovative way, obtaining recognitions of excellence and with very high growth and profitability rates. The bathroom furniture sector and, specifically, designer and luxury products, represent an industry in which Italy holds an important and internationally recognized position and in which Mittel believes there is ample space to create, exploiting the acquisition of Ceramica Cielo, an aggregation platform that can involve several companies also operating in complementary sectors.

On September 27, 2017, Mittel - through a 75% owned company, Mittel Automotive S.r.l. - completed the acquisition of the entire share capital of IMC - Industria Metallurgica Carmagnolese S.p.A., from the 100% parent company Roblafin S.r.l. The remaining 25% of Mittel Automotive S.r.l. was bought by Roblafin S.r.l. The counter-value of the acquisition of IMC, equal to EUR 48,5 million, was financed, for a share of EUR 28,0 million, through the use of bank debt. IMC, founded in 1962 in Carmagnola (TO), is the Tier 1 supplier among the main European producers in the automotive sector. IMC has revenues of over EUR 40 million, of which approximately 90% abroad, with an operating margin (EBITDA) of more than EUR 10 million. Prior to its closing date, IMC acquired, from Roblafin Holding S.r.l., 100% of the company Balder S.r.l., a smaller company operating in the same sector, which in 2016 achieved an operating income of approximately EUR 3 million.

Finally, in regards to the progress of the process of disposal of non-core assets of the Mittel Group, in September 2017, with various transactions carried out in the previous months, the sale process on the market of the investment held indirectly in Livanova Plc was completed, through the subsidiary companies Bios S.p.A. (50%) and Tower 6 Bis S.a.r.l. in liquidation (49%), held by Mittel S.p.A. in partnership with Equinox T.w.o. S.c.a.

Emission of 2017-2023 Mittel Bonds

On May 15, 2017, Mittel S.p.A. announced a bond issue of 6 years, for a maximum of around EUR 175 million with a maximum yield of 3,75%, of which EUR 123,5 million of new deposits (Initial Public Offering, “IPO”).

The overall announced operation also provided for:

i. the exercise of the voluntary partial early repayment option of 50% of the nominal value on all the 2013-2019 bonds with a 6% coupon (equal to approximately EUR 100 million) and, following the partial voluntary early repayment,
ii. the promotion of a voluntary total public offering on the 2013-2019 6% outstanding bonds, issued by Mittel, listed on the Mercato Telematico delle Obbligazioni (“MOT”), organized and managed by Borsa Italiana S.p.A., with consideration represented by further bonds issued by the Issuer.

The emission of 2017-2013 bonds with a 3,75% coupon is aimed at optimizing the structure of the debt in terms of cost and duration, also through the refinancing of bonds issued by Mittel in 2013, and potentially increasing available resources for the development of investment activity.

In line with the strategic plan, the emission enabled Mittel to increase its average duration of debt by optimizing the balance between the duration of loans and the expiration of financial sources, while reducing the cost of funding.

The Initial Public Offering (IPO - Offerta Pubblica di Sottoscrizione, “OPSO”) took place from July 21 to July 24, 2017 and was completed on July 27, 2017 with an issue of a total nominal value of EUR 123,5 million.

On July 27, 2017, Mittel S.p.A. communicated to the market the exercise of the voluntary early repayment option of 50% of the nominal value of the 2013-2019 bonds. The partial voluntary repayment took place on August 18, 2017. As a result of the repayment, the nominal counter-value of the 2013-2019 bonds went from EUR 99,99 million to EUR 50,2 million.

In addition, in October 2017, a public purchase and exchange offer was held concerning the residual 50% of the nominal value of the 2013-2019 bond loan outstanding following the early repayment made in July and with consideration represented by one 2017-2023 bond for each 2013-2019 subscription bond and by a monetary consideration, with a total implicit premium of approximately 3,5% of the nominal value.

On November 8, 2017, the bid ended with a subscription to the Public Bid for Acquisition and Exchange (OPAS - Offerta Pubblica di Acquisto e Scambio) for 11,76% of the 2013-2019 bonds subject to it (with a nominal value of EUR 5,9 million). The residual 2013-2019 bonds not taken into consideration (with a nominal valued of EUR 44,3 million) continue to be listed on the MOT. The total issuance of 2017-2023 bonds was therefore equal to EUR 129,5 million.

Governance

On November 18, 2016, the Shareholders' Meeting of Mittel S.p.A. took place and unanimously decided to change the closing date of the financial year from September 30 to December 31 of each year, with effect from the financial year as of said Shareholders' Meeting, which therefore had a duration of 15 months.

On January 27, 2017, the Mittel S.p.A. Shareholders, gathered for the Annual General Meeting, resolved inter alia:

- to approve the Directors' Report on operations and financial statements as of September 30, 2016, as well as the proposal to write off the EUR 30.770.032 million loss through the use of available reserves;
- to determine the number of members of the Board of Directors at 7;
- To call to form the Board of Directors, which will remain in office for three years, or until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on December 31, 2019: Ing. Rosario Bifulco (engineer), Dr. Marco Giovanni Colacicco, Dr. Michele Iori, Ing. Anna Cremascoli (engineer), Dr. Anna Maria Tarantola, Prof. Anna Gervasoni (appointed by the Shareholder Second Navigazione S.r.l.); Dr. Giovanni Raimondi (appointed by the Atesino Istituto di Sviluppo - ISA S.p.A.).

The Shareholders' Meeting also resolved in favor of the first section of the Remuneration Report prepared pursuant to art. 123 - ter of the Legislative Decree #58 of February 1998.
The Mittel S.p.A. Board of Directors, which met at the end of the Shareholders' Meeting, appointed Ing. Rosario Bifulco (engineer) as President and CEO, and Dr. Marco Giovanni Colacicco and Dr. Michele Iori as Vice-Presidents. The Board also proceeded to appoint the members of the internal Committees of the Board itself.

On April 11, 2017, the Mittel S.p.A. Board of Directors, having taken note of the resignation given on April 7 and with immediate effect by the Independent Director Dr. Anna Maria Tarantola, subsequently resolved the appointment by co-optation of Avv. Valentina Dragoni (attorney), as an Independent Director, who will remain in office until the first Shareholders' Meeting, during which the confirmation of her appointment will be proposed. As a result of the resignation of Dr. Anna Maria Tarantola from the position of Lead Independent Director as well as Chairman of the Remuneration and Appointments Committee and Chairman of the Committee for Transactions with Related Parties, the Board of Directors also proceeded to appoint Prof. Anna Gervasoni as Lead Independent Director and to change the composition of the aforementioned Internal Committees by appointing (i) as Chairman of the Remuneration and Appointments Committee, Ing. Anna Cremascoli (engineer) - already a member of the aforementioned Committee - and Avv. Valentina Dragoni (attorney) as a new member, and (ii) as Chairman of the Committee for Transactions with Related Parties, Avv. Valentina Dragoni (attorney).

On July 6, 2017, the Mittel S.p.A. Board of Directors, having taken note of the resignation dated June, 26, 2017 and with immediate effect given by the Independent Director Prof. Anna Gervasoni, consequently resolved the appointment by co-optation of Avv. Patrizia Galvagni (attorney), as an Indipendent Director, who will remain in office until the first Shareholders' Meeting, during which the confirmation of her appointment will be proposed. As a result of the resignation of Prof. Anna Gervasoni from the position of member of the Control and Risks Committee and as member of the Committee for Transactions with Related Parties, the Board of Directors appointed Avv. Patrizia Galvagni (attorney) in her place, while the position of Lead Independent Director, previously held by Prof. Anna Gervasoni, was entrusted to Ing. Anna Cremascoli (engineer).

Other important events

On November 30, 2016, the Mittel S.p.A. Board of Directors, following the request by Liberata S.r.l. to postpone the expiry date and reduce the interest rate, in regards to the vendor loan in place with said company, and with an expiration date on November 30, 2016, extended it to December 31, 2018 and reduced the spread from 5% to 4,75%.
The consent of Mittel S.p.A. for the redefinition of the expiration date and the spread of the Liberata vendor loan was based on strategic valuations conducted by its administrative body, which ascertained the absence of concrete prospects for relaunching the activity of Mittel Generale Investimenti S.r.l., the only asset in portfolio of Liberata S.r.l., due to the cancellation of Mittel Generale Investimenti from the general and special

list of Financial Intermediaries pursuant to art. 106 and 107 of the Legislative Decree #385 of 1993, ordered by Banca d'Italia.
The cancellation from the list entailed the termination of the typical activity previously exercised by Mittel Generale Investimenti, an activity now limited to the management of the assets constituted by its own loan portfolio.
Mittel S.p.A. consequently deemed in its interest to grant the rescheduling of the repayment of the vender loan also with a view of maximizing the value of the overall investment held in Liberata S.r.l., which includes a 25% share of the capital of the latter.
In relation to the further request by Liberata S.r.l. for the reduction of the interest rate applied to date, Mittel S.p.A., in consideration of the disappearance of the posting of the vendor loan to the bank loan of which the increase in interest constituted a form of consideration, reduced the applied spread by 25bps.
Mittel Generale Investimenti S.r.l., as a result of the deliberate transaction, had a suitable time frame to identify the most appropriate actions, be they of an ordinary or extraordinary nature, to maximize its assets.
The transaction qualified as a related-party transaction pursuant to the procedure, since the counter-party to the transaction is an associate of Mittel S.p.A with a 27% stake. Furthermore (i) in the shareholding of Liberata S.r.l. there are other related parties or other significant shareholders, such as Fondazione Cassa di Risparmio di Trento and Rovereto, which holds 10,9% of the capital, and Istituto Atesino di Sviluppo S.p.A., which holds 8,8% of the capital, and (ii) within the administrative body a strategic manager of Mittel S.p.A. holds the position of Chief Executive Officer.
The transaction was therefore approved subject to obtaining the binding opinion of the Committee for Transactions with Related Parties, as it is a Transaction of Greater Relevance pursuant to art. 3.1, letter a) of the Procedure for Transactions with Related Parties, which, among other things, obliged the Company to prepare an information document drawn up pursuant to art. 5 of the Consob Regulation adopted with resolution #17221 of March 12, 2010 and subsequently amended by resolution #17389 of June 23, 2010, published on December 6, 2016.
Subsequently, in May 2017, as part of the process of rationalizing the investee companies, the Assemblies of Liberata S.r.l. and of Mittel Generale Investimenti S.r.l. resolved to approve the merger project between them.

On May 8, 2017, with the strategic objective of achieving full control of the assets in the Real Estate sector, Mittel Investimenti Immobiliari S.r.l. purchased 40% of the share capital of Santarosa S.r.l. from the company Residenza Altaguardia 11 S.r.l. (previously held by the Mittel Group at 60%), for a total price of EUR 890 thousand. The company presents as its sole asset a real estate contract in Milan (in Piazzale Santorre di Santorosa). Following this acquisition, Residenza Altaguardia 11 S.r.l. - or individuals nominated by the latter - signed three preliminary contracts for the purchase and sale of real estate units owned by Santarosa S.r.l. for a counter-value of EUR 963 thousand. The purchase was qualified as a related-party transaction pursuant to the Related-party Procedure of Mittel S.p.A. and it occurred as a result of obtaining the favorable opinion of the Parent Company's Committee for Transactions with Related Parties (a non-binding opinion, as it related to a minor transaction).

Significant events occurred after the end of the financial year

On March 5, 2018, Gruppo Zaffiro S.r.l., through a vehicle set up for this purpose, acquired a new initiative in the field of nursing homes, specifically in Sanremo. The total investment amounted to approximately EUR 1,2 million and the structure, already operating, now has about 80 beds. The operation, together with the acquisition of the nursing home in Rivignano, completed in 2017 (120 beds), and the operations currently underway, is part of the Group's growth project in the sector, which envisages using Gruppo Zaffiro as a solid platform on which to build a process of aggregation of other local entities operating in the nursing homes sector, with the aim of becoming, over the next few years, a point of reference in the sector.

Business outlook for the year

In recent months, Mittel, in line with the strategic plan presented by the new Chief Executive Officer Mr. Rosario Bifulco, carried out a major transformation of its assets through the acquisition of the majority of 3 target companies, specifically (i) Gruppo Zaffiro S.r.l. (Nursing Homes - November 2016), (ii) Ceramica Cielo S.p.A. (Designer sanitary-ware - June 2017) and (iii) IMC - Industria Metallurgica Carmagnolese S.p.A. (Automotive components - September 2017), reinvesting the resources generated by the liquidation process of the non-strategic assets that were discontinued during the year (Livanova Plc, Castello SGR S.p.A., ISA S.p.A. and Credit Access Asia). In the results as of December 31, 2017, the effect of the economic consolidation of these entities is still partial, depending on the acquisitions made during the year. The next financial year will sell the full consolidation of the margins generated by them.

In order to better redefine its financial sources in a medium / long-term perspective, the debt of the Mittel parent company was restructured through a six-year bond issue (2017-2023) of a total of EUR 129,5 million with a 3,75% coupon, connected to the partial extinction of the bond loan expiring in 2019 for EUR 55,5 million with a 6% coupon. This process, in addition to extending the duration of the debt by approximately 4 years, allowed the collection of significant additional medium-long term financial resources for the Group's investment plan, lowering the cost of servicing the debt on new resources.

Given these significant changes occurred during the year, Mittel is now ready to intensify the investment process by focusing on two levels. Firstly, the company aims to consolidate and implument the sectors in which it is already active. In fact, acquisitions in the field of nursing homes, designer sanitary-ware and automotive components, are platforms on which to graft both internal and external growth. Secondly, Mittel will continue to pursue new investment opportunities with the aim of creating long term value, through the acquisition of companies characterized by Italian entrepreneurial excellence, to be combined with the Group's financial and strategic contribution.

Finally, the recovery of additional financial resources will continue over the next few months, focusing on the residual non-strategic asset portfolio, currently referring to the real-estate sector, held through the subsidiary company Mittel Investimenti Immobiliari, as well as on the recovery process of financial receivables and other non-core assets currently held, which still today account for a significant proportion of the Group's consolidated assets.

Main ongoing legal proceedings and disputes

Snia S.p.A. in Extraordinary Administration

On November 5, 2013 the arraignment of the parties was held regarding the writ of summons, notified on January, 20, 2012 by Snia S.p.A. in Extraordinary Administration (hereinafter referred to as "Snia") with which the latter summoned, before the Court of Milan, Mittel S.p.A. ("Mittel") (Hopa S.p.A. at the time), GE Capital S.p.A., Banca Monte Paschi di Siena S.p.A., Unipol Gruppo Finanziario S.p.A. - Unipol S.p.A., Bios S.p.A. and various individuals (former Directors and Statutory Auditors of Snia and Bios S.p.A.) to ascertain their alleged joint liability, pursuant to Artt. 2394 bis, 2476, paragraph 7, 2497, 1175, 1375, 2043 of the Italian Civil Code, as well as to Art. 90 of the Legislative Decree #270 of 1999, and to hear them condemned to pay for the damages allegedly suffered by Snia and provisionally quantified at about EUR 4 billion.

On the basis of the questions, the Plaintiff deduced multiple unlawful conducts directly and indirectly ascribable to its parent companies and to the former Directors and Statutory Auditors of Snia and Bios S.p.A., including, in particular, the alleged unlawfulness of the resolution of Snia's Extraordinary Shareholders' Meeting, adopted on June 26, 2003, with the definitive vote of Bios S.p.A., with which a demerger operation, allegedly prejudicial to Snia and to the social creditors, was approved, with abuse of management and coordination. According to the plantiff, in particular, the operation would have been carried out in order to achieve extra social interests, exclusively those of the direct shareholder Bios S.p.A. and those of the indirect shareholders Mittel S.p.A., GE Capital S.p.A., Banca Monte Paschi di Siena S.p.A. and Unipol Gruppo Finanziario S.p.A. - Unipol S.p.A. Furthermore, the demerger operation would have also been carried out through the drafting and subsequent approval of untrue financial statements, including, in particular, the one relating to the 2002 financial year, which, not having accounted for certain significant liabilities burdening Snia, suitable to write down certain investments as a result of environmental charges and remediation costs, would have represented, for the acting company, a very different financial situation from the actual one. In reference to the position of Bios S.p.A., it is noted that, in any case, Snia holds the Company accountable, as a direct and controlling shareholder, by way of unitary direction and coordination, as per Art. 2497 of the Italian Civil Code and Art. 90 of the Legislative Decree #270 of 1999.

Snia required the defendants to pay a compensation (i) of EUR 388 million, in relation to the demerger operation mentioned above, (ii) of approximately EUR 3,5 billion, in relation to alleged environmental damage deriving from the management of chemical plants belonging to Snia and its subsidiaries, and (iii) about EUR 200 million in relation to the consequences of Snia's continuation of the company's activity, despite the fact that, according to the plaintiff, the company had already lost its share capital. The case was brought before the Court of Milan, the section specialized in the field of enterprise (case #5463 of 2012, Judge Dr. Perozziello).

On November 4, 2013, the Minister for the Environment and for the Protection of Land and Sea (the "Minister for the Environment") and the Minister for Economic Affairs and Finances ("Minister for Economic Affairs") intervened in court, depositing a single joint act of voluntary intervention, pursuant to Artt. 105 and 267 of the

Italian Code of Civil Procedure, in support of the questions formulated by Snia and, in particular, those relating to the extensive environmental damage for which the plaintiff company requested to be compensated. On November 5, 2013, the first arraignment of the parties was held.

During the preliminary investigation, with a memorandum filed on July 30, 2014, the Plaintiff modified, inter alia, its own prospects and also introduced new applications in relation both to the “second conduct” (the “disruptive” division) and to the “fifth conduct” (the causation of environmental damage), providing, on the one hand, an “alternative” criterion for the quantification of the so-called instantaneous damage, derived from the second conduct - criterium under which the original compensation request of EUR 388 million would increase to EUR 572 million - and, on the other hand, reformulating the questions relating to the fifth conduct in the direction of introducing subordinate condemnation questions to the outcome of the alleged insinuations of Snia and Caffaro, and this in order to surreptitiously compensate for the peaceful absence of certain and actual damage to the Plaintiff in relation to the fifth conduct.

Mittel, through a statement lodged on October 14, 2014, objected to the inadmissibility and in any case the groundlessness of the new prospects and new applications of the Plaintiff, while at the same time integrating its preliminary inquiries through the production of a technical consultancy report of a party in the interest of Mittel, jointly drawn up by Professors Angelo Provasoli and Gabriele Villa. Furthermore, Mittel produced a further report, drawn up by Prof. Nelson Marmiroli, aimed at refuting the extent of the environmental damage produced by Caffaro at the Brescia plant and the remediation methodologies suggested by the Italian Institute for Environmental Protection and Research (ISPRA) on behalf of the Minister for the Environment.. Mittel also produced robust documentation supporting its theses.

Also following the amendment of the questions raised by the Plaintiff with the memorandum filed on July 30, 2014, the questions raised appeared radically unfounded to Mittel’s defense, given the absence of certain and current damage and the evident absence of a causal link between the alleged unlawful conduct committed by Mittel and the damages for which compensation was claimed.

At the hearing on February 6, 2015, the Judge, deeming the case ready for final judgement and no further preliminary investigation necessary, postponed the judgement to May 23, 2015 for the clarification of the conclusions, granting the terms of the law for filing the conclusions and replicas. These operations ended on October 26, 2015; from that date the starting date for the filing of the sentence that took place on February 10, 2016 began, with which the Court of Milan rejected all the claims proposed by Snia and the Minister for the Environment against Mittel, condemning Snia and the Minister for the Environment to pay EUR 0,3 million in legal expenses in favor of the Company. In particular, the Court, with sentence #1795 of 2016, recognized as inadmissible the intervention carried out on the matter by the Minister of the Environment and rejected Snia or declared that it lacked a legal standing for all the claims made against Mittel.

The ruling in question was the subject of an appeal, with subsequent separate appeals, by Snia and by the Minister for the Environment, which obtained the suspension of the massive sentence to pay legal fees on the assumption that any different outcome of the appeal case would have made it difficult for 67 subjects to repay the large sums due.

In the course of 2017, some memorandums authorized by the Court were filed in order to better clarify the preliminary exceptions and preliminary inquiries, at the end of which - at the request of the appellant administrations and taking into account possible conciliatory agreements with some of the original defendants - the discussion of the (joined) cases was postponed from February 21 to June 16, 2017.

Pending the postponement, Mittel and Snia also entered into a settlement agreement, as a result of which: (i) Snia waived the appeal judgement and any claim against Mittel relating to the facts of the case and therefore to each question formulated against Mittel during the first and second instance judgements and Mittel accepted the aforementioned renunciation; (ii) Mittel paid a contribution to Snia for Snia’s waiver of the appeal; (iii) the parties declared that they had nothing more to claim from each other given the effect of the aforementioned transaction and in relation to the aforementioned dispute. The judgement, postponed for clarifications of the conclusions to the hearing scheduled on June 20, 2018, continues - therefore - only against the Ministers.

Regarding the decision to oppose the measure to exclude Snia from the liability, promoted by the Minister for the Environment and the Minister for Economic Affairs against the Extraordinary Administration (#70240 of 2014, pending before the Second Civil Section of the Court of Milan), in which Mittel intervened on May 11, 2015, filing the appearance of an intervention, pursuant to Art. 105 of the Italian Code of Civil Procedure, to see confirmed the provision for exclusion of the opposing Ministers, and in which Sorin S.p.A. (today

Livanova Plc) also intervened with the filing of its appearance of intervention; during the hearing on January 12, 2016, Judge Dr. Mammone ordered a mere postponement to May 3, 2016, and then to November 8, 2016, and finally to June 6, 2017, notwithstanding any other provision.

During the hearing on June 6, 2017, following a brief discussion between the parties, the Judge - once again in consideration of the negotiations under way between the parties - referred the same parties to the hearing on December 19, 2017 and, on that occasion, to the hearing on March 6, 2018. During this last hearing, in the face of the appointment of a new magistrate (Dr. Mummone was replaced by Dr. Pascale), the Ministers renewed the request to exclude the third parties (Sorin, Mittel and B&P), and - regarding this request for a preliminary ruling - the new Judge-Rapporteur decided to submit the case to the College, setting the collegiate hearing on October 30, 2018, the deadline for the final writings on September 24, 2018 and the deadline for the replies on October 22, 2018.

Administrative judgment against the notice to comply with the Minister for the Environment

On July 28, 2015, the Minister for the Environment gave Mittel S.p.A., as well as Sorin S.p.A., Bios S.p.A., Interbanca S.p.A. (known as GE Capital S.p.A. at the time), Monte dei Paschi di Siena S.p.A. and Unipol Gruppo Finanziario S.p.A., a notice to comply ("Injunction") asking them to adopt all the most appropriate initiatives to control, eliminate, circumscribe or manage, in accordance with a program of reclamation of Snia, any damage in the sites of Torviscosa, Brescia and Colleferro (Production sites of Gruppo Caffaro).

Mittel challenged the Injunction before the Regional Administrative Court of the Lazio Region, detecting a series of invalidity and / or illegitimacy profiles. During the aforementioned appeal, Mittel highlighted that the contamination, alleged by the Minister for the Environment, of the production sites of Gruppo Caffaro was attributable to the chemical productions carried out by the companies of the same Group prior to the entry of Mittel, through an indirect and minority stake in the capital of the companies of Gruppo Caffaro (1999), or to productions unrelated to Gruppo Caffaro.

On March 21, 2016, the Regional Administrative Court accepted, with sentence #3449 of 2016, Mittel's appeal, consequently nullifying the Injunction. This decision was challenged by the Minister for the Environment before the State Council (R.G. #4949 of 2016) and the proceeding is pending judgement. The public hearing for the discussion of said decision is scheduled for June 14, 2018. In this proceeding, Mittel renounced itself by presenting an incidental appeal, with a simultaneous re-presentation of the legal motives part of the judgement at first instance.

Sofimar S.A. and Ing. Alfio Marchini (engineer)

On August 2, 2013, Mittel S.p.A., in response to the receivable of EUR 12,8 million (expired with an additional private writing on June 23, 2009 in three trances of EUR 4,3 million plus interest - the first tranche expired on July 31, 2013) in fulfillment of the commitments undertaken by So.Fi.Mar International S.A. and by Ing. Alfio Marchini (engineer) during the purchase of the bare ownership of the 222.315 shares of Finaster S.p.A. (today Finaster S.p.A. in liquidation), which took place during the financial year ended on September 30, 2005, sent the counter-parties a notice to comply / of payment, in order to collect the first installment including interest and equal to EUR 4,6 million. The notice to comply / of payment sent by Mittel S.p.A. did not receive a followup, nor did a counter-part formulate a hypothesis with an appropriate solution to the matter. That said, in October 2013, Mittel S.p.A., in view of the continuing non-fulfillment of So.Fi.Mar International S.A. and of Ing. Alfio Marchini (engineer), informed the counter-parties of the resolution of the private writing on June 23, 2009, with the consequent obligation for the Defendants to proceed with the total repayment of the residual sums due in respect of capital, interest and default interest.
Mittel S.p.A., having received nothing from the counter-party after the October 2013 notification, filed an arbitration request, in December 2013, with the Arbitration Chamber of Milan, pursuant to the express arbitration clause provided for in the sales contract of September 30, 2005, in order to obtain the fulfillment of the liabilities entered into by So.Fi.Mar International S.A. and by Ing. Alfio Marchini (engineer). It should be noted that the counter-parties, in the past, regularly paid Mittel S.p.A., up to July 2012 (final deadline of interest reimbursement only), the interest due on the extension of the payment of the three tranches, expressly recognizing its debt. The Defendants regularly assembled depositing their memorandum and asking, as a preliminary step, to ascertain the lack of capacity to be sued of Ing. Marchini (engineer) and, in substance, to reject the questions posed by Mittel S.p.A. Furthermore, the Defendants, arguing that the parties would have verbally supplemented the sales contract over the years, requested Mittel S.p.A, to be ordered to pay for the damages allegedly suffered by So.Fi.Mar International S.A., due to the alleged failure of Mittel S.p.A. in regards to the alleged supplementary verbal agreements.
During the ruling on March 15, 2016, the Arbitration Court sentenced So.Fi.Mar International S.A. to the payment, in favor of Mittel S.p.A., of the entire credit owned by the latter to the former under the contribution

sale contract of Finaster S.p.A., concluded in 2005, for a total principal amount of EUR 12.782.298, plus interest up to July 31,2013 for approximately EUR 316 thousand and default interest from July 31, 2013 to the date of actual payment. The Arbitration Court also sentenced So.Fi.Mar. International S.A. to correspond to Mittel S.p.A. approximately EUR 128 thousand for Mittel S,p.A.'s defense expenses and about EUR 149 thousand for the expenses of the Milan Chamber of Arbitration and for the arbitrators' fees, also endured by Mittel S.p.A.
The Arbitration Tribunal, on the other hand, declared the defect of passive legitimacy of Ing. Alfio Marchini (engineer), controlling subject of So.Fi.Mar. S.A. at the time of the facts, whose joint responsibility was established by Mittel S.p.A. in the context of the arbitral dispute, in consideration of the tenor of the contractual relations between the parties, and in particular of the option contract also signed by Ing. Alfio Marchini (engineer) in 2000, as well as his conduct following the sale and purchase of shareholdings, in regards to the payment of the agreed sum.
On May 26, 2016, following the filing of the award by Mittel, the Court of Milan issued the decree of enforceability of the arbitration award.
In order to attack the assets of So.Fi.Mar. International in Luxembourg, on July 15, 2016, Mittel S.p.A. obtained an order of "exequatur" from the Court of Luxembourg. On the basis of said order, in October Mittel S.p.A. promoted foreclosures against So.Fi.Mar. International S.A. at 13 of the largest Luxembourg and Italian banks in Luxembourg, foreclosures that were suspended by the Luxembourg judge on the grounds that in November 2016 So.Fi.Mar. International S.A. and Ing. Marchini (engineer) appealed against the order of "exequatur" of the arbitration award. After filing several memoranda of the parties, in February 2018 Mittel filed a request to close the preliminary investigation phase.
Mittel also initiated enforcement procedures with third parties in Italy before the Court of Rome and the Court of Milan.

The procedure before the Court of Rome was initiated against So.Fi.Mar. International S.A. at 9 Italian companies and was declared extinct in November 2017, in consideration of the negative statements of the foreclosed third parties.

As for the executive action before the Court of Milan, the third foreclosure Finaster S.r.l. in liquidation sent a negative statement. Mittel contested the truthfulness of this declaration, initiating the procedure of ascertaining the third party's obligation by means of a deed notified in September 2017. The discussion hearing will be held on May 2, 2018.

Mittel also initiated an enforcement action in Switzerland against So.Fi.Mar. International S.A. at the banks UBS AG and UBS Switzerland AG. So.Fi.Mar International S.A. filed an opposition which was rejected by the Court of Zurich. The appeal of So.Fi.Mar. International S.A. against that decision was also rejected. So.Fi.Mar International S.A. also requested the annulment of the enforcement order of the Court of Zurich, on the basis of the alleged irregularities in the notification of the "summons to pay". The relative proceeding is still pending.

In September 2017 Mittel filed for bankruptcy against So.Fi.Mar. International S.A. before the Court of Rome (R.G. #2562 of 2017). So.Fi.Mar International S.A. was formed and the case was detained for adjudication on February 15, 2018.

In March 2017, a writ of summons against Ing. Alfio Marchini (engineer) was notified, in the interest of Mittel, for the ascertainment of his extra-contractual responsibility and his conviction for the repayment of damages (quantified in a total of EUR 13.098.895,72, plus default interest starting from July 31, 2013, and plus interest and monetary revaluation) suffered by Mittel in consequence of the non-payment by So.Fi.Mar. of the amount due to Mittel, ascertained during the arbitration. Ing Marchini (engineer) appeared in court, challenging Mittel's claims and requesting its conviction pursuant to Art. 96 of the Italian Code of Civil Procedure. The first hearing is scheduled for April 3, 2018.

Interbanca S.p.A. (formerly GE Capital S.p.A.) and Tellus S.r.l.

The Court of Appeals of Brescia is awaiting the second instance judgement (R.G. #1044 of 2017) between Mittel, as the appealed party, and Interbanca S.p.A. (formerly GE Capital S.p.A.) and Tellus S.r.l., as the appellants, following the appeal by the appellant companies of sentence #3271 of 2016, filed by the Court of Brescia on November 8, 2016.

The dispute is in limine to the decision-making phase, since the Board, following the first hearing on December 20, 2017, directly proceeded to schedule the hearing for the clarification of the conclusions on May 8, 2019.

In regards to the subject matter of the dispute, it is recalled that, at the end of 2011, today's appellant companies had challenged the resolution passed by the Extraordinary Assembly of Hopa S.p.A. of October

13, 2011, with which the merger by incorporation project in Mittel S.p.A. by Tethys S.p.A. and by Hopa S.p.A. was approved; therefore, since the stipulation and registration of the merger deed occurred, Interbanca S.p.A. and Tellus S.r.l. had converted the original questions concerning the declaration of invalidity of the resolution in claims for damages, requesting: (i) primarily, the compensation for damages estimated by them in a total of EUR 10,2 million, plus legal interest and monetary revaluation, due to the presumed lack for Hopa S.p.A. "of the economic reason" of the merger transaction; (ii) alternatively, compensation for damages totaling EUR 9,7 million, plus legal interest and monetary revaluation, due to the alleged "inconsistency in the exchange ratio" adopted at the time of the merger.

The Court of Brescia, after the completion of a complex three-year technical appraisal, pronounced sentence #3721 of 2016, declaring the claims for compensation for damages made by Interbanca S.p.A. and Tellus S.r.l. inadmissible because the companies lacked active legitimacy in relation to the action for annulment of the merger resolution, and ordering the plaintiff companies to pay the litigation costs in favor of the defendant and the costs of the technical appraisal. The dispute then ended at first instance with the full victory of Mittel.

With the appeal initiative, Interbanca S.p.A. and Tellus S.r.l. - reaffirming the same reasons of fact and of law already stated at first instance - asked the Court of Appeal for the complete reform of the first instance ruling, reaffirming their alleged active legitimacy to appeal the merger resolution and the consequent admissibility of claims for damages.

Main risks and uncertainties to which Mittel S.p.A. and the investee companies are exposed

The main risks and uncertainties that may significantly affect Mittel Group's business are shown below. Additional risks and uncertain events, which are currently unforeseeable or that are currently considered unlikely, could also influence the business, the economic and financial conditions and the prospects of the Mittel Group.

Risks associated with the current economic situation and the performance of the sectors in which the Group operates

Mittel Group's results are influenced by the performance of the global economy, systemic risk, and industrial risk in the sectors in which they operate.

At the macroeconomic level, the general picture is still characterized by a high volatility of the financial markets, and by a persistent instability of the international geo-political framework, which in a quantitative easing context and with interest rates at historic lows, led to the formation of huge amounts of liquidity looking for returns.

The persistence of excess liquidity can undermine the Group's investment strategy, in the sense of over-inflating the purchase prices of target industrial holdings. On the other hand, the persistence of a geo-political context characterized by considerable turbulence can weaken both the organic growth process and the acquisition of the existing equity portfolio.

If a new economic cycle were to resurface, the consequent slowdown in industrial development could lead to a general deterioration of the Group's assets, and / or in the absence of adequate financial support, to the need to divest them to non-optimal values. In specific reference to investments in company shareholdings - characterized by a high level of risk, particularly in the current period of volatility of the financial markets - the disinvestment process could take longer than expected and / or be carried out with methods that are not fully satisfactory or on non-remuneration terms for the Group.

In regards to the Nursing Homes sector, subject to investment by the Mittel Group during the financial year, there is a lower degree of cyclicity and a consequent lower theoretical exposure to the risk of negative developments due to the continuation of the framework economic situation of the global economy and of the Group's geographic reference market. The demand for social and health services and the related public and private spending, in fact, show signs of historical growth and prospects for the potential growth even in the eventual phase of a general economic crisis. However, it can't be excluded that the persistence of current macroeconomic weakness may negatively influence public and private spending and, consequently, the demand for services offered by the Group in the sector in question.

Similar considerations on the cyclicity of the reference markets and on the consequent exposure to the economic situation and the performance of the sectors in which the Group operates are valid for the recent investments in the field of designer ceramic sanitary-ware and automotive components. In particular, in regards to the designer ceramic sanitary-ware sector, there is a correlation with the investments made in the development and renovation of residential and hotel buildings, historically influenced by the trend of the economic cycle. As for the automotive sector, we are dealing with purchases of durable goods, strongly correlated with the evolution of purchasing power and consequently with the trend of the economic situation.

In the Real Estate sector, the risks arising from the market crisis concern the increase in interest rates, the credit crunch, the decrease in demand, the drop in prices and the lengthening of sales and leasing times, with the risk of having to incur extraordinary costs for the maintenance of the buildings that remain unsold. The real estate market, both nationally and internationally, has a cyclical trend and is conditioned by a series of macroeconomic variables, such as the relationship between supply and demand, and is linked, inter alia, to the general conditions of the economy, changes in interest rates, inflation developments, the tax regime, liquidity of the market and the presence of more profitable alternative investments.

Risks associated with the implementation of the Group's strategy and its repositioning
In March 2016, the Mittel S.p.A. Board of Directors approved the 2016-2019 Strategic Plan, whose guidelines are mainly aimed at: (i) implementing a process of rationalization of Mittel Group's corporate structure; (ii) valuing non-strategic assets (listed securities, real estate assets and lending); (iii) developing investment activity from a permanent capital perspective; (iv) making asset management investments. Based on this strategy, Mittel S.p.A. intends to pursue a type of activity focused on majority investments in small and medium-sized Italian companies that are characterized by high cash generation.

Among the potential risk profiles of the aforementioned strategy, it should be noted that it depends on events and circumstances, even future ones, which are difficult to predict, such as, but not limited to, global economic conditions, the impact of competition or economic and geo-political developments. Mittel is therefore not able to provide any certainty regarding the concrete and complete realization of the strategic objectives pursued within the expected time frame.

Any failure to divest significant parts of real estate assets could prevent the finding of new financial resources for future investments. Furthermore, failure to carry out planned investments could have negative effects on the economic and financial sustainability of the Group's debt.

Should the aforementioned transformation actions of the Group's operating model not be fully completed, thus preventing the Company's competitive repositioning, there could be negative impacts on the Group's economic, equity and / or financial situation.

Finally, in consideration of the custody of the Company's holdings, its economic performance is linked, inter alia, to circumstances which by their nature are not periodic and / or recurring, such as the distribution of dividends by investee companies, as well as the formation and realization of capital gains on the disinvestment of the investments held. Therefore, it can't be excluded that the performance of Mittel S.p.A.'s results in different financial years may be non-linear and / or significantly comparable. It should also be noted that Mittel S.p.A.' subsidiaries may decide not to distribute dividends even in the presence of operational profits.

Risks associated with the fixed rate bond entitled "Mittel S.p.A. 2013-2019" issued in July 2013 and the fixed rate bond entityed "Mittel S.p.A. 2017-2023"

Pursuant to the 2013-2019 and the 2017-2023 bond loan Regulations, Mittel S.p.A. is obliged to respect, for the entire duration of the loan: (i) limits in the distribution of dividends and profit reserves, (ii) a financial covenant calculated as the ratio between net financial indebtedness and equity of the financial statements, and (iii) a negative pledge on future bond issues by Mittel S.p.A. or by significant subsidiaries within the limits and subject to exceptions provided for by said Regulations. In the event of non-compliance, not remedied, to the aforementioned obligations under the loan Regulations, Mittel S.p.A. may be subject to mandatory early repayment of the Loan, which in turn could result in an early repayment obligation, that is, the forfeiture of the term, termination or withdrawal from other loans. As of December 31, 2017, the covenant for both loans was complied with.

Furthermore, the Mittel S.p.A. 2013-2019 bond loan Regulation provides that for the duration of the loan Mittel S.p.A. can't distribute dividends or reserves of profits exceeding an amount equal to 5% of the net assets resulting from Mittel's financial statements approved each year during the term of the loan (the 2013-

2019 Cap.), limit that, as of December 31, 2012, fell to 7,5% in relation to the exercise of voluntary early repayment on the same issue on August 18, 2017. The Mittel 2017-2023 loan regulation provides that Mittel S.p.A. can't distribute dividends or cash surplus reserves exceeding 5% of the net assets resulting from Mittel's financial statements approved each year during the term of the loan (Cap. 2017-2023), whereas there is no limit to the distribution of treasury shares currently held by the company (12.357.402).

Risks associated with the Group's debt

Contractual clauses, commitments and covenants are applied to some of the financial sources obtained by the Group. Failure to comply can be considered a breach of contract, bringing backers to demand immediate repayment and causing difficulty in finding alternative resources. As of December 31, 2017, other than for the Mittel 2013-2019 and 2017-2013 Bond Loans, covenants are envisaged for medium / long-term loans contracted by the Group upon entry into the capital of Gruppo Zaffiro S.r.l., Ceramica Cielo S.p.A. and IMC S.p.A. As of December 31, 2017, when the measurement was planned, these financial parameters were met.

Risks associated with fluctuations in interest rates

The Mittel Group uses various forms of financing to support its investments. Therefore, significant changes in interest rate levels could lead to potential increases / decreases in the cost of financing. In order to mitigate the risks described above, in 2017 the Group made a 3,75% fixed rate bond issue, expiring in July 2023, for a total amount of EUR 129,5 million. Also in order to obtain a mitigation of the risks of fluctuating interest rates during the year, the company Gruppo Zaffiro S.r.l. concluded an interest rate swap on the debt incurred in the acquisition of the company by Mittel.

Risks related to liquidity

The Group has access to short-term lines of credit granted by a number of credit institutions and in July 2018 issued the 2017-2023 Mittel bonds listed on the MOT (the screen-based market), organized and managed by Borsa Italiana, for a total of EUR 129,5 million. However, the availability of financial resources outside the Group is a critical factor for the maintenance of the Group's investment growth strategies.
Consequently, any aggravations in terms of the economic conditions of the new loans and a possible future reduction of the credit capacity by the banking system could have negative effects on the economic and financial situation of the Group and / or limit its growth capacity.
The Group's ability to meet such payments, including those related to the payment of interest on debt, depends on its ability to generate sufficient liquidity, including through disposals and / or disinvestments, and / or to refinance its debt, a capacity in turn, dependent, to a certain extent, on the economic, financial and market situation, the laws and regulations applicable from time to time, competition with other operators, and other factors, many of which are beyond Mittel Group's control.
Therefore, also in consideration of the potential misalignment between the duration of the assets invested by the Group, mainly in the medium and long term, and the expiration dates of the relative financial sources, it can't be excluded that the Group may find it difficult to liquidate under conditions not penalizing immobilized assets on the market (asset liquidity risk) or to raise funds (funding liquidity risk) at market conditions, with a consequent negative impact on the economic result if the Group is forced to incur additional costs to meet its commitments.

Credit risk

The financial operations carried out by the Group expose the latter to credit risk, understood as the possibility that an unexpected change in the creditworthiness of the counter-party will have effects on its credit position, in terms of insolvency (so-called default risk) or market value (so-called spread risk). Moreover, the recent industrial acquisitions have created a credit risk also of a commercial nature, increasing the potential risk of delays in payment times.
The Mittel Group is exposed to potential losses deriving from the non-fulfillment of the obligations taken on by the counter-parties (both financial and commercial transactions), in specific reference to the following phenomena:

- in relation to the segment relating to investment activities, maintaining a strong involvement in the business risk of discontinued investments, in relation to the presence of vendor loans for significant amounts;
- credit concentration on certain significant counter-parties;

• increase in average collection times for trade receivables, in particular on newly acquired industrial subsidiaries, with a consequent deterioration of the financial position with respect to predictions.

Risks associated with the market value of real estate inventories.

Despite a positive financial year in terms of sales achieved (about EUR 16 million in 15 months), the importance of the Group's invested capital in real estate investments and real estate's lack of dynamism in relation to specific initiatives, with the consequent risks of obsolescence and capital losses, entail a persistence of the risk connected to the Group's operations in the Real Estate Sector. Furthermore, the freezing of financial resources on the real estate assets is a factor of rigidity in respect to the need, defined by the 2016-2019 Strategic Plan, to concentrate financial resources on the part of the management, especially on investments in Private Equity operations able to relaunch the Group in terms of income. The Group records its property inventories at cost less of any write-downs determined on the basis of the net realizable value; to support these values, on the occasion of the preparation of the financial statements as of December 31, 2017, the Group required third parties with specific skills and requisites to assess the main real estate assets at market values on the basis of valuation criteria normally used in practice. The Group devalued its real estate assets in cases where the appraisals on the main real estate assets reported lower net realizable values than balance-sheet values of the same assets (EUR 7,9 million as of December 31, 2017, compared to the EUR 7,2 million as of September 30, 2016).
Although, according to the Company, the appraisals take into account all factors relevant to the assessment of the adequacy of the load value of real estate inventories, the assessment of additional items of an extraordinary nature, unknown at the time of the valuation dates, compared to those used could lead to a different determination of their value.
Furthermore, despite the fact that Mittel S.p.A. devalued its real estate assets in cases where the appraisals on the main real estate assets reported lower net realizable values than balance-sheet values of the same assets, it can't be excluded that any further deterioration of the reference market may entail the need for potential further value adjustments in the future, with consequent negative effects on the Group's balance sheet and income statement.
As of the date of this report, there are no covenants directly correlated to changes in the value of real estate assets or linked to the results od economic and financial management within the companies operating in the Real Estate sector.

Risks related to outstanding litigation

During the normal course of its business, the Group is part of various civil judicial procedures (including employment-related ones), regarding tax and administrative matters, whose progress is periodically monitored by the corporate bodies of the subsidiaries and the Parent Company.
The Group established, in its consolidated financial statements as of December 31, 2017, a special provision for risks and charges, totaling EUR 2,3 million (EUR 1,8 million as of September 30, 2016), to cover, among other things, liabilities which could derive from judicial litigation and other litigation in progress, taking into consideration, also for disputes with a risk of losing the case, the outlook for disbursements related to consultants' expenses which the company makes use of in the proceedings.
The total size of the aforementioned provision for risks and charges and the amount of the annual reserves for the provision are determined on the basis of the likelihood that the proceeding will have a negative outcome for the Group or that there will be disbursements for court fees even in the case of a positive outcome; some proceedings to which the Group is a party and for which a possible negative, remote or unquantifiable, outcome is envisaged, are not included in the legal provision for risks and charges, consistent with the IAS 37 provisions. It is therefore not possible to exclude that in the future the Group may be required to meet payment obligations not covered by the provision for risks and charges, or that the reserves in the provision for risks and charges may be insufficient to cover liabilities arising from a negative outcome beyond expectations.
In addition, in general terms, regardless of the validity of the alleged claims, the possible emergence of judicial or arbitration proceedings against Mittel and / or other companies of the Group, including any disputes concerning the previous operations of the Group as shareholder of companies sold, could cause even significant damage to the image and reputation that the Group enjoys in the reference sector, with possible negative effects on the activities and on the economic, asset and financial situation of Mittel and the Group.

Risks related to dependence on key figures

The Group's success depends, to a significant extent, on a limited number of key management figures who contribute and, according to the Issuer, will be able to contribute significantly to the development of the Group's activities. The Company adopted a defined remuneration policy in order to ensure a remuneration structure capable of recognizing the value and contribution of its administrators. In November 2015, following the appointment of the current Chief Executive Officer, the simultaneous sale of treasury shares took place. In addition, in March 2016 a medium / long-term incentive system was approved by the Issuer's shareholders' meeting, which provides for the allocation of Stock Appreciation Rights to the Chief Executive Officer, to policy leaders and to other key figures.
Although the measures implemented pursue the objective of strengthening the involvement and loyalty of the aforementioned subjects, any loss of key figures or the inability to attract and retain additional qualified personnel could result in a reduction in the Group's competitive capacity and affect the expected growth objectives with negative effects on the activity and on the economic, asset and financial situation of the Company and of the Group. Furthermore, should one or more of the aforementioned key figures interrupt their collaboration with the Group and should it not be possible to replace them in an appropriate and timely manner with subjects of equal experience and competence, the competitive capacity of the Company and the Group could be diminished, with possible negative effects on the activity and on the reproducibility over time of the results achieved. These risks also exist for the key figures of the sectors of the companies subject to acquisition during the financial year, which have expertise in the areas of operations that are decisive for achieving the objectives of the Group's strategies.

Risks related to the dividend policy

As of the date of this report, the Company has not adopted a dividend distribution policy.
The Regulation of the fixed rate bond loan entitled "Mittel S.p.A. 2013-2019" and of the fixed rate bond loan entitled "Mittel S.p.A. 2017-2023", requires the Company, for the entire duration of the loan, not to distribute dividends or reserves of profits exceeding an amount beyond a certain percentage of the net assets resulting from the separate financial statements of the Company approved in each year during the term of the Loan (see section "Risks associated with the Bond Loan").
During the three-year 2014-2016 period, the Company did not distribute dividends or reserves. Any future distribution of dividends and their amount, in any case in compliance with the limits indicated above, will also depend on the future profits of the Company which will be linked, in particular, to dividends distributed by investee companies and capital gains realized in the disinvestment of investments, circumstance which by their nature are not period or recurring.

Risks related to the legislation and the regulations applicable to the Group

The activities of the Mittel Group are subject to Italian laws and regulatory provisions, as well as to Community legislation and regulations, including those of a fiscal nature.
It's not possible to exclude the possibility of future changes to the existing legislation and regulations, even at an interpretative level, such as to generate an increase in the costs, charges or levels of responsibility of the Group and to negatively affect the Group's activities with possible detrimental effects to the assets and / or the economic, equity and / or financial situation of the Group itself.
In addition, possible changes to tax legislation, inter alia, relating to the treatment of capital gains / losses connected to real estate could have negative effects, respectively, on the return on investments made by the Group or on the Group's activity in relation to the real estate properties.
Lastly, it should be noted that the Nursing Homes operating sector, which was acquired during the financial year, is a highly regulated sector. Therefore, any changes to the current legislation, including those relating to health, safety and the environment, or the introduction of new regulations, could lead the Group to incur unexpected costs or limit their operations, with consequent detrimental effects on the activities and / or the equity, economic and financial situation of the Group itself.

Risks related to recent extraordinary operations

The acquisition during the financial year of Gruppo Zaffiro, Ceramica Cielo and IMC entailed the recognition of significant goodwill deriving from the business combination relating to the acquisition of control and the consequent consolidation of the companies subject to acquisition. In the context of the aforementioned acquisitions, the selling parties have issued to the acquiring party the declaration and guarantees normally provided for these types of transactions. In the event of a possible need to activate the guarantees, there

would be a legal and contractual risk, as well as a possible credit risk associated with the effective ability to collect the amounts subject to collateral.
Furthermore, an acquisition usually involves the assumption, not just of the assets of a specific company, but also of the related liabilities. Although the Mittel Group performs due diligence before the completion of an acquisition and seeks to obtain adequate declarations and guarantees, as well as obligations of compensation from the seller, there is no certainty that the Mittel Group will be able to identify and obtain adequate protection in respect to all the current or potential liabilities relating to a given business. Assumption of unpaid liabilities for which adequate contractual protection has not been obtained, or the insolvency of the seller who has granted the contractual protection, could have negative effects on the activity and profitability of the Company and the Group.
The entry into a new sector of activity by the Mittel Group also entails exposure to risks typical of the operating sector.
Lastly, it should be noted that the acquisitions made require, by their nature, the performance of activities typically aimed at integrating the companies belonging to an existing group. Therefore, it can’t be ruled out that the implementation of this integration process may entail costs, especially during the initial phase, borne by the Company or the Group, or that the complete and effective integration of the companies may require longer times than those expected, or that it is more complex than expected or the unexpected results are not achieved.

Corporate Governance

Mittel S.p.A. adhered to the self-regulatory code of the listed companies promoted by Borsa Italiana S.p.A. already in the original version of 1999 and currently adheres to the Corporate Governance Code approved in July 2015.

The Company, on an annual basis, provides information on its governare system and on compliance with the Corporate Governance Code by means of a Report, also prepared pursuant to art. 123-bis of the Financial Services Act (TUF - Testo Unico della Finanza), which highlights the degree of compliance with the principles and application criteria established by the Code itself and with international best practices.

The Report is made available to Shareholders on an annual basis with the documentation required for the Shareholders' Meeting, and is also promptly published on the Company's website (www.mittel.it) in the "Corporate Governance / Corporate Documents" section.

At the meeting on February 22, 2016, at the proposal of the Appointment Remuneration Committee, the Board of Directors resolved the Remuneration Policy, in compliance with the recommendations of the Corporate Governance Code and the regulatory provisions issued by Consob. Pursuant to the law, the Remuneration Policy constitutes the first section of the Remuneration Report, which is submitted to the Shareholders' Meeting for examination on an annual basis; specifically, regarding this section, during the Shareholders' Meeting held on January 27, 2017, called, inter alia, to approve the 2016 financial statements, the shareholders expressed their favorable opinion.

The following are the offices of Director and Statutory Auditor held by the members of the Board of Directors and the Board of Statutory Auditors in other companies listed on Italian and foreign regulated markets, in financial, banking, insurance or relatively large companies:

Ing. Rosario Bifulco	Director of Humanitas S.p.A. Director of Italian Hospital Group S.p.A Chairman of Finarte S.p.A.
Dr. Marco Colacicco	Standing Auditor of Praesidium SGR S.p.A.
Dr. Michele Iori	Chairman of the Management Board of Fondazione Cassa di Risparmio di Trento e Rovereto Chairman of the Board of Statutory Auditors of Concessioni Autostradali Lombarde S.p.A. Standing Auditor of Dolomiti Energia S.p.A. Standing Auditor of The Spac S.p.A.
Ing. Anna Francesca Cremascoli	---
Avv. Valentina Dragoni	---
Dr. Giovanni Raimondi	Chairman of Castello SGR S.p.A.
Avv. Patrizia Galvagni	---

Dr. Riccardo Perotta	Chairman of the Board of Statutory Auditors of Cassa Lombarda S.p.A Chairman of the Board of Statutory Auditors of Molmed S.p.A. Standing Auditor of Saipem S.p.A. Standing Auditor of El Towers S.p.A. Standing Auditor of Sprint Gas S.p.A.
Dr. Fabrizio Colombo	Standing Auditor of Geox S.p.A. Standing Auditor of Credit Agricole Vita S.p.A. Standing Auditor of Publitalia ’80 S.p.A. Standing Auditor of Acciaieria Arvedi S.p.A. Standing Auditor of Finarvedi S.p.A. Standing Auditor of Sistemi Informativi S.r.l. Standing Auditor of BNP Paribas for Innovation Italia S.r.l. Standing Auditor of Value Transformation Services S.p.A. Auditor of Saras Ricerche e Tecnologie S.r.l. Standing Auditor of Acam Gas S.p.A
Dr.ssa Maria Teresa Bernelli	Chairman of the Board of Statutory Auditors of Dana Italia S.p.A. Chairman of the Board of Statutory Auditors of in Lunelli S.p.A Chairman of the Board of Statutory Auditors of Diatec Holding S.p.A. Chairman of the Board of Statutory Auditors of Diatecx S.p.A Standing Auditor of Ferrari F.lli Lunelli S.p.A. Member of the Supervisory Board of Man Truck & Bus Italia S.p.A.
Dr.ssa Aida Ruffini	---
Dr. Giulio Tedeschi	Chairman of the Board of Statutory Auditors of Agos Ducato S.p.A. Standing Auditor of Carlo Tassara S.p.A.

Other information

Research and development activities
Given the nature of the companies of the Group, no specific research and development activities are carried out, with the exception of those carried out by the newly acquired subsidiary Ceramica Cielo, consolidated starting from June 30, 2017, which during the entire 2017 financial year has supported, on two separate research programs, total costs of EUR 446 thousand, recorded in the income statement.

Atypical and / or unusual operations
Pursuant to the Consob communication of July 28, 2006, it should be noted that the Company and the Group did not perform any atypical and / or unusual transactions during the year that have not already been disclosed to the market, pursuant to the Issuers' Regulations.

Significant non-recurring events and operations
Pursuant to the aforementioned Consob communication, it should be noted that the Company and the Group did not carry out significant non-recurring transactions during the year.

Consolidated statement of a non-financial nature
It should be noted that, in consideration of the change in the closing date of the financial year from September 30 to December 31 of each year, as resolved by the Extraordinary Shareholders' Meeting on November 18, 2016, the financial year as of December 31, 2017 had a duration of 15 months (from October 1, 2016 to December 31, 2017).

Art. 4 of the EU Directive #95 of 2014 provides that in regards to Member States the provisions apply to all companies subject to the scope of Art. 1, from the financial year beginning on January 1, 2017 or during the 2017 financial year. Consistently art. 12 of the Legislative Decree #254 of 2016 provides that the previsions of the decree apply, in reference to the declarations and related reports, to financial years beginning on or after January 1, 2017.

Therefore, the Mittel Group will prepare the consolidated non-financial declaration required by the aforementioned legislation starting from the 2018 financial year, since the present 2016/2017 financial year began before the date indicated in the legislation. Starting from next year, therefore, an analysis of non-financial performance (eg environmental, social, personnel-related, etc.) of the entire perimeter of the Group will be provided, taking into due consideration the evolution of this perimeter induced by the recent acquisitions, implemented in line with the strategic guidelines approved during the previous financial year.

Information on environmental impact
Given the nature of the companies of the Group, no specific activities involving environmental impact are carried out. During the financial year two acquisitions of an industrial nature were carried out, in the sectors of production of designer ceramic sanitary-ware and components for the automotive industry. Even for these companies, which became part of the Group's perimeter during the financial year, no significant environmental issues were presented.

Human Resources
The personnel is adapted to the needs of the companies belonging to the sectors in which the Group operates. The training activity was focused on updating activities regarding the evolution of the legislation and regulation in which the Group operates and on training courses concerning IT tools to support the organization of work.

Transactions with related parties
The group is equipped with appropriate regulations in terms of operations with related parties, available on the website *http://www.mittel.it/procedura*.

In regards to the operations with related counter-parties identified on the basis of art. 2359 of the Italian Civil Code and the international accounting standard IAS 24, it should be noted that during the 2016-2017 financial year transactions with these counter-parties were carried out relating to the ordinary activities of the Group and that no atypical and unusual transactions were carried out. All transactions carried out are regulated at market conditions and normally refer to:

- the supply of general and administrative services among the companies of the Group;
- inter-company funding and bond ratios;
- the infra-group transfer of IRES / VAT;
- issuing of guarantees from companies of the Group in favor of investee companies.

On April 11, 2017, the Mittel S.p.A. Board of Directors resolved to give the Chief Executive Officer a mandate for all the steps necessary to: (i) renew the option to participate in the Company's Group taxation, pursuant to art. 117 et seq. of the Presidential Decree #917 of 1986, also for the 2016-2017 and 2018-2019 financial years, of the following (direct or indirect) subsidiaries: Mittel Investimenti Immobiliari S.r.l., Mittel Advisory S.r.l., CAD Immobiliare S.r.l., Fede S.r.l. and Esse Ventuno S.r.l. in liquidation; (ii) exercise the option to participate in the company's tax consolidation regime, pursuant to the aforementioned regulation, of the following (indirect or direct) subsidiaries: Ghea S.r.l. Iniziative Nord Milano S.r.l., Zorro S.r.l., Gruppo Zaffiro S.r.l., Zaffiro Ancona S.r.l., Zaffiro Fagagna S.r.l., Zaffiro Magnano S.r.l., Zaffiro Martinaccio S.r.l., Zaffiro Montesicuro S.r.l., Zaffiro San Lorenzo S.r.l., Zaffiro Tarcento S.r.l., Zaffiro Urbania S.r.l., Zaffiro Ancona Uno S.r.l., Zaffiro Rivignano S.r.l., Zaffiro Fermo S.r.l. and Zaffiro Sviluppo S.r.l.

Relations with related parties other than companies of the Group
The other relations with related parties other than the companies of the Group refer to:
- remunerations and other fees due to directors and managers entrusted with strategic responsibilities of the Group;
- invoicing of services and benefits of an administrative and consultancy nature falling within the ordinary activity of individuals within the broader definition of related parties.

All transactions with related parties were carried out at market conditions and there are no atypical or unusual transactions to report.

Please also refer to the section "Significant events during the financial year" in relation to the extension granted on the vendor loan to Liberata S.r.l. (now Mittel Generale Investimenti S.r.l.) and relative to the acquisition of 40% of the company Santarosa S.r.l.

Treasury shares
As of December 31, 2017, the Company holds 12.357.402 treasury shares.

Payment agreements based on own equity instruments
As of December 31, 2017, the option to pay using treasury shares due to Mittel S.p.A. is the only one in place in response to the emission of the "2016 Mittel Allocation Plan of Stock Appreciation Rights (SARs)" approved by the parent company's Meeting on March 24, 2016.

As part of the medium to long-term incentive plans, agreements are made in favor of the CEO and part of the management, with payments based on shares representing the capital.
On February 22, 2016, the Board of Directors approved the medium-long term incentive plan, reserved for the CEO and other managerial figures, based on the assignment of a variabile compensation payable in financial instruments (Stock Appreciation Rights - "SARs") at the end of the multi-annual reference period and once the objectives are achieved. The objectives, linked to ex post verifiable and scalable parameters, are predefined, since they are assigned according to the office or function covered within the Group and according to the expected result.
These financial instruments assign to the beneficiaries, subject to the fulfillment of the established conditions, the right to obtain, at the end of the last year of vesting, the monetary equivalent or in shares of the Company, at the discretion of the Board of Directors, of the increase in value of the ordinary shares of the Company with respect to the value of the assignment.
The long-term variable component (liquidable in cash or in shares of Mittel S.p.A., at the discretion of the Board of Directors) will be equal to the difference between the final price of the ordinary share (calculated on the arithmetic average of the closing price of the security in the thirty days of open exchange prior to the exercise date), and the starting price - Strike Price (calculated on the arithmetical average of the closing price of the security in the thirty days of open exchange prior to the date of assignment of the financial instrument). In consideration of financial models for calculating the starting value of the security which estimate its current value, a number of instruments assigned to each beneficiary is determined.
The long-term incentive plan has a duration of 5 years, of which 4 years of vesting and a year of exercise of the assigned instruments.

All the economic and financial effects of the medium and long term incentive plan, referable to the assigned SARs, will be recorded during the vesting period on the basis of a value determined on the grounds of financial models that estimate their respective current value based on the most likely outcome of achieving the objectives.
During the financial year, the Stock Appreciation Rights plan involved the recognition of an estimated cost totaling EUR 0,4 million.

Programmatic Document on Security and Privacy
Notwithstanding the nonfulfillment of the obligation to draft the Security and Privacy Policy Document as a result of art. 46 of the Legislative Decree on simplification and development, the Directors acknowledge that the Company has implemented all the measures and actions necessary for the adaptation in the matter of personal data protection according to the terms and procedures of the law, also in reference to the changes made within the Group.

Participation of members of the administrative and control bodies, general managers and managers with strategic responsibilities
(pursuant to art. 79 of the Consob resolution #11971 of May 14, 1999 and subsequent amendments)

Name and Surname	Investee company	Shares held as at 30.09.2016	Shares purchased	Shares sold	Shares held as at 31.12.2017	
Rosario Bifulco	Mittel S.p.A.	6.192.241	62.700	-	6.254.941	(a)
Colacicco Marco	Mittel S.p.A.	68.777	-	-	68.777	(b)

(a) of which 700.000 shares held before the co-optation to director (15 November 2015)
(b) of which 65.241 shares held before the co-optation to director (1 October 2014) and 324 held by the spouse

Proposal of the Board of Directors

Dear Shareholders,

We submit for your approval the financial statements for the October 1, 2016 - December 31, 2017 period, consisting of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Net Assets, the Cash Flow Statement and the Explanatory and Supplementary Notes, as well as the related annexes and the Report on operations.

The Board of Directors proposes to the Shareholders' Meeting to cover the EUR 4.592.489 loss for the year through the use of available reserves.

Milan, 21 March 2018

for the Board of Directors

President and CEO

Rosario Bifulco

(signed on the original)

Statement of reconciliation of equity and profit (loss) for the year

The link between shareholders' equity and the result of the financial year of the Parent Company, as evidenced by the financial statements for the year ended on December 31, 2017, and the Group's shareholders' equity and results for the year, as shown in the consolidated financial statements of the same date, is the following:

(amounts in thousands of Euro)	**31 December 2017**		**30 September 2016**	
	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
Equity and profit (loss) of the Parent Company	**167.321**	**(4.592)**	**174.005**	**(30.770)**
Elimination of book value of consolidated investments:				
Value of investments in consolidated companies	(116.459)		(73.072)	
Goodwill arising on consolidation	67.599			
Intangible assets arising from business combinations				
Net capital gain attributed to the activities of consolidated companies				
Pro rata amount of equity of consolidated companies	54.602		80.212	
Results achieved by fully consolidated companies		(8.094)		(39.132)
Cancellation of write-downs of investments	1.613	48.808		88.647
Adjustments for consistency with Group accounting policies:				
Fair value adjustments of financial assets				
Investments valued according to the equity method:				
Adjustments for pro-rata results of investments valued according to the equity method	49.239		71.826	
Income (loss) from Investments valued according to the equity method		28.731		25.248
Elimination of effects of transactions carried out between consolidated companies:				
Net intercompany income capitalised in consolidated companies				
Elimination of intercompany dividends:				
Dividends distributed by fully consolidated companies		(48.002)		(48.174)
Dividends distributed by associates				(325)
Taxes:				
Adjustment of tax rates				
Other adjustments				
Equity and income (loss) for the year pertaining to the Group	**223.915**	**16.851**	**252.971**	**(4.506)**
Non-controlling interests	23.218	(1.684)	19.782	(7.097)
Consolidated equity and income (loss)	**247.133**	**15.167**	**272.753**	**(11.603)**

Consolidated Financial Statements as of December 31, 2017

Consolidated Statement of Financial Position (*)

Amounts in Euro

	Notes	31.12.2017	30.09.2016
Non-current assets			
Intangible assets	4	68.861.919	41.408
Property, plant and equipment	5	43.914.880	3.764.090
Investments accounted for using the equity method	6	55.939.009	88.133.490
Financial receivables	7	81.775.748	100.176.385
Other financial assets	8	25.278.533	37.781.775
Sundry receivables and other assets	9	635.379	314.973
Deffered tax assets	10	423.453	1.256.243
Total non-current assets		**276.828.921**	**231.468.364**
Current assets			
Inventories	11	90.677.964	99.590.721
Financial receivables	12	396.248	32.950.798
Other financial assets	13	-	6.909.464
Current tax assets	14	9.450.674	10.841.212
Sundry receivables and other assets	15	22.957.251	8.503.688
Cash and cash equivalents	16	155.470.983	84.989.558
Total current assets		**278.953.120**	**243.785.441**
Assets held for sale		-	-
Total assets		**555.782.041**	**475.253.805**
Equity			
Share capital		87.907.017	87.907.017
Share premium		53.716.218	53.716.218
Treasury shares		(21.057.903)	(21.057.903)
Reserves		86.499.333	136.912.066
Profit (loss) for the year		16.850.831	(4.505.929)
Equity pertaining to the Group	17	**223.915.496**	**252.971.469**
Non controlling interests	18	23.218.399	19.782.426
Total Equity		**247.133.895**	**272.753.895**
Non-current liabilities			
Bond issue	19	173.023.311	97.873.411
Financial payables	20	50.941.791	2.279.610
Other financial liabilities	21	7.550.196	-
Provisions for personnel	22	4.787.415	1.429.528
Deferred tax liabilities	23	10.222.164	9.495.069
Provisions for risks and charges	24	2.281.769	1.755.853
Sundry payables and other liabilities	25	140.756	477.792
Total non-current liabilities		**248.947.402**	**113.311.263**
Current liabilities			
Bond issue	26	3.072.363	1.309.554
Financial payables	27	22.413.908	77.872.265
Current tax liabilities	28	1.626.222	12.660
Sundry payables and other liabilities	29	32.588.251	9.994.168
Total current liabilities		**59.700.744**	**89.188.647**
Liabilities held for sale		-	-
Total equity and liabilities		**555.782.041**	**475.253.805**

(*) Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated statement of financial position of the Mittel Group are outlined in the appropriate statement of financial position table shown in the following pages and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements.

Consolidated Income Statement (*)

Amounts in Euro

		31.12.2017	31.12.2017
Revenue	30	70.633.874	7.985.272
Other income	31	1.849.645	1.732.294
Variations in inventories	32	(18.828.207)	(10.030.130)
Costs for purchases	33	(13.566.990)	(2.303.734)
Costs for services	34	(24.626.487)	(9.637.971)
Personnel costs	35	(24.490.556)	(6.627.391)
Other costs	36	(4.602.026)	(4.938.420)
Amortization and value adjustments to intangible assets	37	(2.597.470)	(321.236)
Allocations to the provision for risks	38	(705.019)	(364.977)
Share of income (loss) of investments accounted for using the equity method	39	42.295.434	25.241.887
Operating Result		**25.362.198**	**735.594**
Financial income	40	6.424.712	6.641.607
Financial expenses	41	(16.739.998)	(8.972.677)
Dividends	42	151.701	899.530
Profit (loss) from management of financial assets and investments	43	9.746.830	7.825.320
Value adjustments to financial assets and receivables	44	(12.539.094)	(23.532.590)
Profit (loss) from trading of financial assets	45	353.809	60.740
Income (loss) before taxes		**12.760.158**	**(16.342.476)**
Income taxes	46	2.407.120	4.739.032
Profit (loss) for the year		**15.167.278**	**(11.603.444)**
Attributable to:			
Income (loss) pertaining to non controlling interests	47	(1.683.553)	(7.097.515)
Profit (loss) pertaining to the Group		**16.850.831**	**(4.505.929)**

Earnings (loss) per share (in EUR)	48		
From continuing ordinary operations:			
- Basic		0,223	(0,059)
- Diluted		0,222	(0,059)

(*) Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated income statement of the Mittel Group are outlined in the appropriate Income statement table shown in the following pages and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements, to which reference should be made.

Consolidated Statement of Comprehensive Income

Amounts in EUR

	Notes	01.10.2016 31.12.2017	01.10.2015 30.09.2016
Profit (loss) for the year (A)		**15.167.278**	**(11.603.444)**
Other profits / (losses) comprehensive which will be not subsequently reclassified to profits / (losses) for the year:			
Profits/(losses) from remeasurement of defined benefit plans		(59.392)	(62.088)
Tax effect relating to other profits/(losses) which will be not subsequently reclasified to profits/(losses)		13.553	17.074
Total Other profits / (losses) which will be not subsequently reclassified to profits / (losses) for the year, net ot taxes (B.1)		**(45.839)**	**(45.014)**
Other profits / (losses) comprehensive which are subsequently reclassified to profits / (losses) for the year:			
Effective part of the profits/(losses) on cash flow hedges		(78.483)	-
Profits/(losses) from the redetermination of available-for-sale financial assets	17	16.471	(5.709.817)
Profits/(losses) from the transfer of available-for-sale financial assets	17	(2.266.043)	(1.037.402)
Release to the income statement of losses for fair value impairment of available-for-sale financial assets			-
Profits/(losses) of companies valued using the equity method	17	(43.266.362)	(24.975.135)
Tax effect relating to other profits/(losses) whitch will be subsequently reclassified to profit or (loss)		183.635	77.414
Total other profits/(losses), net of taxes (B.2)		**(45.410.782)**	**(31.644.940)**
Total Other profits / (losses) which will be subsequently reclassified to profits / (losses) for the year, net of taxes (B) = (B.1) + (B.2)		**(45.456.621)**	**(31.689.954)**
Total comprehensive profit/(loss) (A) + (B)		**(30.289.343)**	**(43.293.398)**
Total comprehensive profit/(loss) attributable to:			
Non controlling interests		(1.664.086)	(7.143.517)
Income (loss) pertaining to the Group		(28.625.257)	(36.149.881)

Statement of changes in consolidated equity for the year ended as of December 31, 2017

Amounts in Euro

	Share capital	Treasury shares	Capital reserves	Profit reserves	Reserve from remeasurement of defined benefit plans	Cash flow hedge reserve	Reserve from available-for-sale financial assets	Share of comprehensive profits/(losses) of companies valued using the equity method	Non-controlling interests	Total
Balance as at 1 October 2015	**87.907.017**	**(26.514.895)**	**53.716.218**	**88.771.742**	**(86.911)**		**11.770.670**	**68.241.497**	**38.482.908**	**322.288.246**
Sale of treasury shares	-	9.179.600	-	10.676	-	-	-	-	-	**9.168.924**
Purchases of treasury shares for the exercise of rights of withdrawal	-	(3.722.608)	-	-	-	-	-	-	-	**(3.722.608)**
Change in the consolidation scope	-	-	-	220.483	-	-	-	-	(147.597)	**72.886**
Reserve for employee SARs	-	-	-	101.094	-	-	-	-	-	**101.094**
Other changes	-	-	-	(451.881)	-	-	-	-	(582.399)	**(1.034.280)**
Capital payments by non-controlling shareholders	-	-	-	-	-	-	-	-	-	**-**
Dividends distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	(10.826.969)	**(10.826.969)**
Total comprehensive profit/(loss)	-	-	-	(4.505.929)	(51.273)	-	(6.617.544)	(24.975.135)	(7.143.517)	**(43.293.398)**
Balance as at 30 September 2015	**87.907.017**	**(21.057.903)**	**53.716.218**	**84.124.833**	**(138.184)**	**-**	**5.153.126**	**43.266.362**	**19.782.426**	**272.753.895**
Sale of treasury shares	-	-	-	-	-	-	-	-	-	**-**
Purchases of treasury shares for the exercise of rights of withdrawal	-	-	-	-	-	-	-	-	-	**-**
Change in the consolidation scope	-	-	-	246.574	(239.982)	(6.592)	-	-	1.402.313	**1.402.313**
Reserve for employee SARs	-	-	-	366.771	-	-	-	-	-	**366.771**
Other changes	-	-	-	(797.473)	-	-	(14)	-	23.794	**(773.693)**
Capital payments by non-controlling shareholders	-	-	-	-	-	-	-	-	8.375.000	**8.375.000**
Dividends distributed to non-controlling shareholders	-	-	-	-	-	-	-	-	(4.701.048)	**(4.701.048)**
Total comprehensive profit/(loss)	-	-	-	16.850.831	(18.299)	(59.000)	(2.132.441)	(43.266.362)	(1.664.086)	**(30.289.343)**
Balance as at 30 September 2016	**87.907.017**	**(21.057.903)**	**53.716.218**	**100.791.536**	**(396.465)**	**(65.592)**	**3.020.685**	**-**	**23.218.399**	**247.133.895**

Consolidated Cash Flow Statement

Amounts in EUR	Notes	31.12.2017	30.09.2016
OPERATING ACTIVITIES			
Net income (loss) for the year pertaining to the Parent Company and non-controlling interests		**15.167.278**	**(11.603.444)**
Adjustments to reconcile net income (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		2.212.288	11.204
Deferred taxes		(4.619.408)	(4.750.236)
Depreciation of property, plant and equipment		1.928.443	191.921
Amortisation of intangible assets and write-downs		669.027	129.315
Dividends received		(151.701)	(899.530)
Financial income		(6.424.712)	(6.641.607)
Financial expenses		16.732.399	8.963.887
Exchange gains/(losses)		7.599	8.790
Allocations to provisions for risks and charges		705.019	364.977
Provisions for employee severance indemnity		279.296	294.710
Expenses for incentive plan with settlement option through equity instruments		366.771	101.094
Other non-monetary net income		1.539.000	14.947
Profits/(losses) of investments valued according to the equity method		(42.286.623)	(25.248.136)
Write-downs of receivables		9.851.209	21.033.066
Losses on receivables		50.936	38.239
Capital gains (losses) from transfer of investments		(9.041.707)	(6.820.921)
Write-downs of property inventories		7.856.786	7.239.873
Write-downs (write-backs) of available-for-sale financial assets		2.687.557	2.499.525
Write-downs (write-backs) of investments		-	393.635
Profits/(losses) from trading of financial assets		(353.809)	(454.375)
Cash flows from operating activities before changes in working capital		**(2.824.351)**	**(15.133.066)**
(Increase)/decrease in property inventories		10.929.971	2.999.008
(Increase)/decrease in other current assets		4.155.109	(850.890)
Increase/(decrease) in trade payables and other current liabilities		5.253.787	(2.340.311)
Cash and cash equivalents generated (absorbed) by operating activities		**17.514.515**	**(15.325.260)**
Uses of provisions for risks and charges		324.610	(849.188)
Payments of employee severance indemnity		(703.056)	(618.321)
Change in current tax assets and liabilities		(972.986)	-
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**16.163.085**	**(16.792.768)**
INVESTMENT ACTIVITIES			
Dividends received from subsidiaries and associates		-	285.668
Dividends received on financial assets		151.701	899.530
Equity investments:			
Consideration for incremental acquisitions		-	(657.133)
Increase in available-for-sale financial assets		(300.361)	(344.271)
Increases in financial assets held for trading		-	(6.061.440)
Other investments (property, plant and equipment and intangible assets)		(9.293.472)	(3.349.163)
Cash flow connected to business combinations IMC S.p.A.	**3**	(46.330.000)	-
Cash flow connected to business combinations Ceramica Cielo S.p.A.	**3**	(11.825.000)	-
Cash flow connected to business combinations Gruppo Zaffiro S.r.l.	**3**	(21.871.392)	-
Realisation from disposal of:			
Investments		34.707.130	-
Equity instruments available for sale		18.178.137	13.591.604
Equity instruments held for trading		2.618.060	10.096.567
Other non-current assets (property, plant and equipment, intangible assets and other)		-	223.659
(Increase) decrease in financial receivables due from customers and financial institutions		43.927.745	19.042.388
Interest collected		4.883.490	5.234.733
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES		**14.846.037**	**38.962.141**
FINANCING ACTIVITIES			
Increase (decrease) in payables due to banks and other lenders		(24.355.604)	(24.136.989)
Bond loan issue		74.430.158	-
Interest paid		(14.276.203)	(8.257.854)
Purchase of treasury shares		-	(3.722.608)
Sale of treasury shares		-	9.168.924
Change in financial liabilities for derivative instruments		-	(2.772)
Payment of dividends to non-controlling interest		(4.701.048)	(10.826.969)
Capital payments by non-controlling shareholders		8.375.000	-
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**39.472.303**	**(37.778.268)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**70.481.425**	**(15.608.894)**
OPENING CASH AND CASH EQUIVALENTS (E)		84.989.558	100.598.453
CLOSING CASH AND CASH EQUIVALENTS (F= D+ E)		**155.470.983**	**84.989.558**

Consolidated Statement of Financial Position pursuant to Consob Resolution no. 15519 of 27 July 2006

Amounts in eur

	Notes	31.12.2017	*of which related parties*	%	30.09.2016	*of which related parties*	%
Non-current assets							
Intangible assets	4	68.861.919	-		41.408	-	
Property, plant and equipment	5	43.914.880	-		3.764.090	-	
Investments accounted for using the equity method	6	55.939.009	-		88.133.490	-	
Financial receivables	7	81.775.748	44.957.404	55,0%	100.176.385	66.101.676	66,0%
Other financial assets	8	25.278.533	-		37.781.775	-	
Sundry receivables and other assets	9	635.379	-		314.973	-	
Deffered tax assets	10	423.453	-		1.256.243	-	
		276.828.921	**44.957.404**	**16,2%**	**231.468.364**	**66.101.676**	**28,6%**
Current assets							
Inventories	11	90.677.964	-		99.590.721	-	
Financial receivables	12	396.248	-		32.950.798	57.377	0,2%
Other financial assets	13	-	-		6.909.464	-	
Current tax assets	14	9.450.674	-		10.841.212	-	
Sundry receivables and other assets	15	22.957.251	24.973	0,1%	8.503.688	11.250	0,1%
Cash and cash equivalents	16	155.470.983	-		84.989.558	-	
Total current assets		**278.953.120**	**24.973**	**0,0%**	**243.785.441**	**68.627**	**0,0%**
Assets held for sale		-	-		-	-	
Total assets		**555.782.041**	**44.982.377**	**8,1%**	**475.253.805**	**66.170.303**	**13,9%**
Equity							
Share capital		87.907.017	-		87.907.017	-	
Share premium		53.716.218	-		53.716.218	-	
Treasury shares		(21.057.903)	-		(21.057.903)	-	
Reserves		86.499.333	-		136.912.066	-	
Profit (loss) for the year		16.850.831	-		(4.505.929)	-	
Equity pertaining to the Group	17	**223.915.496**	**-**		**252.971.469**	**-**	
Non controlling interests	18	23.218.399	-		19.782.426	-	
Total Equity		**247.133.895**	**-**		**272.753.895**	**-**	
Non-current liabilities							
Bond issue	19	173.023.311	-		97.873.411	-	
Financial payables	20	50.941.791	-		2.279.610	-	
Other financial liabilities	21	7.550.196	-		-	-	
Provisions for personnel	22	4.787.415	-		1.429.528	-	
Deferred tax liabilities	23	10.222.164	-		9.495.069	-	
Provisions for risks and charges	24	2.281.769	-		1.755.853	-	
Sundry payables and other liabilities	25	140.756	-		477.792	-	
Total non-current liabilities		**248.947.402**	**-**	**0,0%**	**113.311.263**	**-**	**0,0%**
Current liabilities		-					
Bond issue	26	3.072.363	-		1.309.554	-	
Financial payables	27	22.413.908			77.872.265	-	
Other financial liabilities		-	-		-	-	
Current tax liabilities	28	1.626.222	-		12.660	-	
Sundry payables and other liabilities	29	32.588.251	1.262.872	3,9%	9.994.168	577.926	5,8%
Total current liabilities		**59.700.744**	**1.262.872**	**2,1%**	**89.188.647**	**577.926**	**0,6%**
Total equity and liabilities		**555.782.041**	**1.262.872**	**0,2%**	**475.253.805**	**577.926**	**0,1%**

Consolidated Income Statement pursuant to Consob Resolution no. 15519 of 27 July 2006

Amounts in eur

		31.12.2017	*of which related parties*	*%*	30.09.2016	*of which related parties*	*%*
Revenue	30	70.633.874	178.941	0,3%	7.985.272	290.941	3,6%
Other income	31	1.849.645	46.105	2,5%	1.732.294	30.484	1,8%
Variations in inventories	32	(18.828.207)			(10.030.130)		
Costs for purchases	33	(13.566.990)			(2.303.734)		
Costs for services	34	(24.626.487)	(8.000.444)	32,5%	(9.637.971)	(2.156.707)	22,4%
Personnel costs	35	(24.490.556)	(440.447)	1,8%	(6.627.391)	(1.214.602)	18,3%
Other costs	36	(4.602.026)			(4.938.420)		
Amortization and value adjustments to intangible assets	37	(2.597.470)			(321.236)		
Allocations to the provision for risks	38	(705.019)			(364.977)		
Share of income (loss) of investments accounted for using the equity method	39	42.295.434			25.241.887		
Gross operating margin		**25.362.198**			**735.594**		
Financial income	40	6.424.712	3.275.703	51,0%	6.641.607	4.386.599	66,0%
Financial expenses	41	(16.739.998)	(1.644)	0,0%	(8.972.677)	(26.407)	0,3%
Dividends	42	151.701			899.530	666.203	74,1%
Profit (loss) from management of financial assets and investments	43	9.746.830			7.825.320		
Value adjustments to financial assets and receivables	44	(12.539.094)			(23.532.590)		
Profit (loss) from trading of financial assets	45	353.809			60.740	-	
Income (loss) before taxes		**12.760.158**			**(16.342.476)**		
Profit (loss) from non-recurring transactions	46	2.407.120			4.739.032		
Operating result (EBIT)		**15.167.278**			**(11.603.444)**		
Attributable to:							
Income (loss) pertaining to non controlling interests	47	(1.683.553)			(7.097.515)		
Profit (loss) pertaining to the Group		**16.850.831**			**(4.505.929)**		

Explanatory notes

1. Form and content of the financial statements

The consolidated financial statements consist of the accounting statements (statement of financial position, income statement, statement of comprehensive income, cash flow statement and changes in shareholders' equity), accompanied by the explanatory notes. The income statement was prepared in line with the minimum contents envisaged by IAS 1 - Presentation of financial statements - with the allocation of inherent costs; the statement of financial position was prepared according to the format that shows the breakdown of 'current / non-current' assets and liabilities, and the cash flow statement was prepared using the indirect method.

2. Significant accounting standards and basis of preparation

2.1 General principles

The consolidated financial statements as of December 31, 2017 were prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the EU as of December 31, 2017, as well as the provisions issued in implementation of Art. 9 of Legislative Decree #38 of 2005. The International Accounting Standards also include all the the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

The consolidated financial statements were prepared on the basis of the general principle of historical cost, modified as required for the valuation of certain financial instruments. The Directors, considered that, despite the difficult economic and financial situation, there are no significant uncertainties regarding business continuity, as defined in paragraph 25 of IAS 1.

This chapter describes the general principles adopted in preparing the financial statements for the year ended on December 31, 2017, as required by IAS 1.

a) Business continuity
Assets, liabilities and "off-balance sheet" transactions are valued according to their operating values, since they are expected to last over time.

b) Economic competence
Costs and revenues are recorded, regardless of the time of their monetary settlement, by economic vesting period and according to the correlation criterion.

c) Presentation coherence
Presentation and classification of items are kept constant over time in order to guarantee the comparability of the information, unless their variation is required by an International Accounting Standard or by and Interpretation, or if their variation makes the representation of values more appropriate in terms of significance and reliability. If a presentation or classification criterion is changed, the new one is applied - where possible - retroactively; in this case the nature and the reason for the variation are also indicated, as well as the items concerned.

d) Aggregation and relevance
Each relevant category of similar items is shown separately in the financial statements. Entries of dissimilar nature or purpose are presented separately.

e) No compensation
Assets and liabilities, costs and revenues are not offset against each other, unless it's required or permitted by an International Accounting Standard.

f) Comparative information
The comparative information of the previous year is shown for all data contained in the financial statements, unless and International Accounting Standard or an Interpretation prescribes or permits otherwise. Information of a descriptive nature is also included when helpful for a clearer understanding of the data.

2.2 Financial statements and tables

The consolidated and separate financial statements consist of the accounting statements (Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement and Changes in Shareholders' Equity), accompanied by the explanatory notes. The accounting statements were prepared in line with the minimum contents envisaged by IAS 1 - "Presentation of financial statements".

The "Other components of comprehensive income" statement includes the components of the result suspended in equity, such as:
- profits and losses from the recalculation of financial assets available for sale;
- the effective part profits and losses on hedging instruments in a cash flow hedge.

The other profits (losses) that will or will not subsequently be reclassified to profit (loss) for the financial year are also highlighted.

The changes generated by transactions with non-shareholders must be highlighted in a single separate statement that shows the performance of the year (statement of total profits and losses recorded) or in two separate statements: a table showing the components of the profit (loss) for the year (income statement) and a second statement starting from profit (loss) for the year and showing the items of the statement of other components of comprehensive income (Statement of comprehensive income).

These changes generated by transactions with non-shareholders must also be shown separately in the Statement of changes in equity in respect to changes generated by transactions with shareholders.

The Group has chosen to highlight all the changes generated by transactions with non-shareholders in two statements measuring the performance for the year, entitled "Income Statement" and "Statement of Comprehensive Income", respectively.

The Income Statement is drawn up using the nature of expense method, highlighting the interim results relating to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), EBIT (Earnings Before Interest and Taxes) and the pre-tax result. The operating result is determined as the difference between net revenues and operating costs (the latter including non-monetary costs related to amortization and depreciation of current and non-current assets, net of any write-backs) and inclusive of capital gains and losses generated by the disposal of non-current assets. In order to allow a better measurability of performance of normal operations, the components of cost and revenue deriving from events or transactions that, due to their nature and size, are non-recurring, are indicated separately, where significant.

The Statement of Financial Position is prepared according to the format that shows the breakdown of current and non-current assets and liabilities. Assets and liabilities are classified as current when they meet the following criteria:
- current assets are represented by cash or cash equivalents, assets that are expected to be realized, sold or consumed in the normal course of the company's operating cycle, assets available for sale, assets held for trading, or those that are expected to be realized within twelve months from the closing date of the reference period;
- current liabilities are those that are supposed to be settled in the normal course of the company's cycle or within twelve months of the balance sheet date, the liabilities held for trading or those that do not have an unconditional right to the deferment of their extinction beyond twelve months. All other liabilities must be classified as non-current liabilities.

The statement of Changes in Shareholders' Equity illustrates the changes in net equity items relating to:
- allocation of the Group's profit (loss) to third party shareholders;
- amounts relating to transactions with shareholders;
- each item of profit and loss net of any tax effects, which is recognized directly in equity or has a counterpart in a reserve;

- changes in the valuation reserve of financial assets available for sale and the cash flow hedge reserve;
- effect deriving from any changes in accounting principles.

The Cash flow statement was prepared by applying the indirect method whereby the net result is adjusted by the effects of non-monetary transactions, by any deferral or provision of previous or future cash receipts or payments and by elements of revenues or costs associated with the cash flows deriving from the investment or financial activity. Gains and losses relating to medium / long-term transactions and the related hedging instruments, as well as the dividends paid, are included in the financing activity.

The data in these financial statements is compared with that of the previous year's financial statements, prepared using the same criteria.
However, as more broadly described in the report on operations, the data for the year is not fully comparable with that of the previous year in consideration of the different duration of the two financial years (15 months compared to 12 months) and changes in the scope of consolidation (better detailed in the specific note).
This latest change, indeed, had inevitable repercussions on the consolidated accounting values and on the manner in which they were represented in the financial statements and in the reclassified report on operations. These aspects have therefore made it necessary to change the structure of the financial statements and the reclassified report to reflect the new business model and the Group's stronger industrial vocation. In addition, this financial report presents modified consolidated and separate financial statements in respect to the previous year, exclusively in reference to the order of exposure and the composition of certain intermediate margins presented, for a more effective representation of the results achieved. This change required a similar re-establishment of balances of the previous financial year.

Finally, it should be noted that in order to comply with the indications contained in Consob Resolution #15519 of July 27, 2006, "Provisions on the subject of financial statements", in addition to the compulsory prospectuses, specific tables were prepared in the Income Statement and the Statement of Financial Position with evidence of the significant amounts of the positions or transactions with related parties, disclosed separately from the respective reference items.

The values of the consolidated balance sheet items are expressed in Euros.

Events after the end of the financial year (IAS 10)

These financial statements were authorized for publication, in accordance with IAS 10, by the Board of Directors on March 21, 2018. Please refer to the Report on Operations for a description of the significant events that took place after the end of the financial year.

2.3 Accounting standards adopted by the Mittel Group

Intangible assets (IAS 38)

Intangible assets are non-monetary assets, identifiable and without physical substance, and held to be used in a multi-year or indefinite period. They are recorded at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the asset will be realized and if the cost of the asset can be reliably determined. Otherwise the cost of the intangible asset is recognized in the income statement of the financial year in which it was incurred.

The cost of intangible assets with a finite useful life is amortized on a straight-line basis based on their relative useful life.
If the useful life is indefinite, no amortization is carried out, but only the periodic verification of the adequacy of the carrying value of the fixed assets. The intangible assets generated internally by software development and by third parties are amortized on a straight-line basis starting from the completion and entry into operation of the applications, according to their useful life. At each balance sheet date, in the presence of evidence of impairment, the recovery value of the asset is estimated.

The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and the recoverable value.
An intangible asset is eliminated from the balance sheet upon disposal and if no future economic benefits are expected.

Goodwill may be recognized if it is representative of the future income capacity of the investee company. A test to check the value of goodwill is carried out at the end of each financial year. Any impairment is determined on the basis of the difference between the goodwill's book value and its realizable value, equal to the greater of the fair value of the cash-generating unit, net of any sales costs, and any relative value in use.
Development costs refer to innovation projects on new products and are recorded among the assets in compliance with the considerations set forth in IAS 38, namely:
- proof of the technical feasibility of the product;
- reliable determination of the costs incurred for the project;
- recoverability of the values recorded through future economic benefits expected from the result of the development project.

It should be noted that this item includes any intangible assets in progress, to be amortized starting from the financial year in which their useful life will begin.

Intangible assets with an indefinite useful life

An intangible asset is considered to have an indefinite useful life when, based on an analysis of its relevant factors, there is no foreseeable limit to the year up to which the asset is expected to generate net cash inflows for the Group.
Intangible assets with an indefinite useful life are not subject to amortization but to verification of the recoverability (impairment test) of the value recorded in the financial statements; this verification relates to the value of the individual asset and is carried out whenever there is a loss in value and in any case at least once a year.

Property, plant and equipment (IAS 16)

Tangible fixed assets are initially recorded at cost which includes, in addition to the purchase price, all possible accessory charges directly attributable to the purchase and commissioning of the asset.
Extraordinary maintenance costs that result in an increase in future economic benefits are recognized as an increase in the value of the assets, while other ordinary maintenance costs are recognized in the income statement.
Tangible assets include commercial properties, plants, furniture and furnishings and equipment of any kind.
These are tangible assets held for use in the production or supply of goods and services, to be leased to third parties, or for administrative purposes, and which are expected to be used for more than one period.
Tangible fixed assets are valued at cost, after deducting any accumulated depreciation and impairment losses.
Fixed assets are systematically depreciated over their useful life, adopting the straight-line method as an amortization criterion.

The depreciation rates used by the companies of the Group are the following:

- Buildings: range between 3% and 6,0%
- Motor vehicles: range between 20% and 25%
- Furniture and furnishings: 12%
- Office equipment: range between 20% and 33,33%
- Equipment: range between 15% and 40%
- General facilities: 10%
- Specific facilities: range between 12,5% and 17,5%
- Robotic work centers: 22%

Land is not subject to depreciation as it is deemed to have an indefinite useful life.
The costs that can be capitalized for improvements to leased third-party assets are attributed to the classes of assets to which they refer and amortized at the lower between the residual duration of the rental contract and the residual useful life of the nature of the asset to which the improvement is relative. At every balance

sheet date, the presence of any signs of impairment must be checked, as well as indications that show that an asset may have suffered a loss in value.
In the presence of the aforementioned signs, the carrying value of the asset and its recovery value are compared, equal to the greater of the fair value, net of any sales costs, and the relative value in use of the asset, well understood as the current value of future flows originating from the asset. Any adjustments are recorded in the income statement. If the reasons that led to the recognition of the loss cease to exist, a recovery in value is made, which can not exceed the value that the asset would have had, net of the amortization calculated in the absence of previous losses in value.
A tangible fixed asset is eliminated from the balance sheet at the time of disposal.
Profits and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are booked to the income statement for the period.
Improvements to third-party assets are classified under tangible fixed assets, in line with the nature of the cost incurred. The amortization period corresponds to the lower of the residual useful life of the tangible asset and the residual duration of the lease contract.

Leased assets (IAS 17)

Assets acquired through financial leasing contracts are recorded among tangible fixed assets with the recording of a financial debt of the same amount as liabilities.
The debt is progressively reduced according to the repayment plan of the capital included in the contractually provided installments, while the value of the asset recorded under tangible assets is systematically amortized according to the economic-technical life of the asset itself, or if lower, based on the deadlines of the leases.
Costs for rentals deriving from operating leases are recorded on a straight-line basis according to the duration of the contract.

Equity investments accounted using the equity method (IAS 28)

Associated companies

The item includes the possessions held in:
- associated companies, recorded using the equity method. The companies of which at least 20% of the voting rights are held and those whose participative entities ensure influence in governance are considered associated;
- companies subject to joint control, also recorded on the basis of the equity method;
- other investments of low value, maintained at cost.

Investments in associated companies are valued using the equity method, determined on the basis of international accounting standards. According to this method, the investment in associated companies is recorded in the balance sheet at cost, adjusted for changes subsequent to the acquisition in the net assets of associated companies, net of any loss in value of the individual investments. The excess of the acquisition cost over the Group's percentage of the current value of the identifiable assets, liabilities and contingent liabilities of the associated company at the date of acquisition is recognized as goodwill.
The lower value of the acquisition cost compared to the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associated company at the date of acquisition is credited to the income statement in the year of the acquisition.
In reference to the transactions between a company of the Group and an associated company, unrealized profits and losses are eliminated to an extent equal to the Group's shareholding in the associated company, with the exception of cases in which unrealized losses constitute evidence of a reduction in the value of the transferred asset.
If there is evidence that the value of an investment may have been reduced, the recoverable value of the investment is estimated, taking into account the current value of the future cash flows that the investment may generate, including the value of final disposal of the investment.
If the recovery value is lower that the book value, the relative difference is recorded in the income statement.
If the reasons for the loss in value are removed following an event that occurred after the recognition of the reduction in value, value re-adjustments are made with recognition in the income statement.

Jointly controlled companies

IFRS 11, in use since January 1, 2014, replaces IAS 31, "Interests in Joint Ventures", and SIC 13, "Jointly Controlled Entities - Non-Monetary Contributions by Ventures", and has eliminated the possibility of adopting the proportional consolidation method, imposing the transition to the equity method for the consolidation of jointly controlled companies.

Other Financial Assets (IAS 32 and 39)

The item includes financial assets available for sale (non-current assets and current assets) and financial assets at fair value (non-current assets) and financial assets held for trading (current assets), as detailed below.

Available-for-sale financial assets

The initial recognition of the financial asset takes place on the settlement date for debt or equity securities. At the time of initial recognition, assets are accounted for at their fair value, which corresponds to the prices recorded in active markets and, for unlisted securities, on the valuation of third parties or on internal valuation models generally used in financial practice.

This category includes non-derivative financial assets that are not classified as Financial Receivables or Assets at fair value recognized in profit or loss.

In particular, this item includes investments not held for trading and not qualifying for control, connection and joint control, and bonds that are not traded. After initial recognition, the assets available for sale continue to be measured at fair value, with the recognition in a specific equity reserve of the profits / losses deriving from the change in fair value, with the exception of losses due to impairment. Equity securities, for which it is not possible to determine the fair value in a reliable manner, are maintained at cost, adjusted in response to the ascertainment of losses due to impairment.

To determine the fair value of financial instruments, there are three levels of hierarchy:

1) Unadjusted listing of an active market. An active market is defined as the one where the quotations, which reflect normal market operations, are promptly and regularly available through Stock Exchanges, Mediators, Intermediaries, Companies of the sector, Listing services or authorized bodies, and express the price of effective, adequate, continuous and regular market transactions occurring during a normal reference period.

2) The recognition of fair value through components that can be observed directly or indirectly on a listed market. In the event that there are elements not directly observable on the market and / or rectified, their significance in respect to the fair value is verified to determine whether this fair value can be considered second or third level.

3) The use of estimation methods and valuation models commonly adopted by the international financial community that take into account the specific characteristics of the instrument to be assessed, with particular attention to the different types of risk associated with it and at the same time use values not inferable from the market and involve estimates and assumptions.

The verification of the existence of objective evidence of impairment is carried out at each closing of the financial statements or infra-annual situation.

The amount of any value re-adjustment recorded following the impairment test is recorded in the income statement as an operating cost under the item Value adjustments for financial assets and receivables.

If the reasons for the loss in value are removed following an event that occurred after the recognition of the reduction in value, value re-adjustments are made. These re-adjustments are recognized in equity in the case of equity securities and in the income statement in the case of debt securities.

Financial assets are eliminated when they are sold, substantially transferring all the risks and benefits associated with them.

At the time of disposal, the effects deriving from the profit or loss accumulated in the reserve relating to available-for-sale financial assets are reversed to the income statement under the item Profits / (Losses) from the management of financial assets and equity investments.

Dividends and interest on financial assets available for sale are allocated in profit or loss.

Financial assets available for sale, according to the assumed timing of realization (within or after twelve months from the closing date of the financial year), are classified in the item “Other financial activities/assets” of current or non-current assets.

Financial assets measured at fair value

This category includes the securities acquired with the aim of maintaining them in the medium-long term, and which are specifically designated as “non-current assets” valued at fair value recorded in the income statement. These assets are measured at fair value with an offset in the income statement. Impairment tests must not be carried out on these activities. The accessory costs are charged to the income statement. Purchases and sales of these financial assets are accounted for on the settlement date.

Financial assets held for trading

Initial recognition of financial assets takes place on the settlement date, for debt securities and for derivative contracts. Upon initial recognition, financial assets held for trading are recognized at their fair vale, which normally corresponds to the amount paid without considering the transaction costs or income directly attributable to the instrument itself, which are instead charged directly in the income statement.
This category includes debt securities, equity securities acquired mainly for the purpose of obtaining short-term profits and the positive value of derivative contracts, with the exception of those designated as hedging instruments.
After initial recognition, financial assets held for trading are measured at fair value, with the recognition of changes as a contra-entry to the income statement.
To determine the fair value of financial instruments, there are three levels of hierarchy:

1) Unadjusted listing of an active market. An active market is defined as the one where the quotations, which reflect normal market operations, are promptly and regularly available through Stock Exchanges, Mediators, Intermediaries, Companies of the sector, Listing services or authorized bodies, and express the price of effective, adequate, continuous and regular market transactions occurring during a normal reference period.
2) The recognition of fair value through components that can be observed directly or indirectly on a listed market. In the event that there are elements not directly observable on the market and / or rectified, their significance in respect to the fair value is verified to determine whether this fair value can be considered second or third level.
3) The use of estimation methods and valuation models commonly adopted by the international financial community that take into account the specific characteristics of the instrument to be assessed, with particular attention to the different types of risk associated with it and at the same time use values not inferable from the market and involve estimates and assumptions.

Financial assets are eliminated when the contractual rights on the financial flows deriving from the assets themselves expire or when the financial asset is sold, transferring substantially all the risks / benefits associated with it.

Profits and losses deriving from the change in the fair value of financial assets are recorded under the item Profits (Losses) from the trading of financial assets in the income statement.

Inventories (IAS 2)

Real estate inventories

Real estate inventories consist of land, buildings under construction-renovation and finished properties for sale.
The initial registration of the finished real estate inventories destined for sale takes place when the costs directly attributable to the building under construction are payed off. Upon initial recognition, real estate inventories are valued at cost, increased by incremental expenses and by capitalizable financial charges incurred.
The release of real estate inventories to the income statement occurs proportionally and at the same time as the sale of the properties or parts of them.
During the first phases of the contract, as no sales have occurred, the result can't be estimated reliably, therefore revenues are recorded in the changes in inventories within the limits of the costs incurred, which are expected to be recovered. At the time of the sale of properties or parts of them, the actual contract costs (incurred and estimated) for the thousandths sold are recorded, with the release of the real estate inventories to the income statement in the changes in inventories. Only at this moment does the margin of the contract emerge, proportionally to the part sold.
Subsequent to initial recognition, real estate assets held for sale continue to be valued at the lower between the cost (increased by incremental expenses and financial charges, to the extent that may be capitalized) and the market value derived from transactions of similar properties by zone and type and adequately adjusted to represent the prospects and timing of actual disinvestment.
Buildings under constructions and / or under renovation are valued at the lower between the cost, increased by incremental expenses and by financial charges that can be capitalized, and the corresponding presumed realizable value.

Inventories of raw materials, goods, semi-finished and finished products

Inventories of raw materials, goods, semi-finished and finished products are valued at the lower between the cost and the net realizable value. The valuation of inventories at cost includes direct costs of materials and labor and indirect (variable and fixed) costs. The cost of inventories of fungible assets is allocated using the FIFO method (first in, first out) or the weighted average cost method. Simplified techniques for the measurement of the cost of inventories, such as the standard cost method, can be used for convenience if the results approximate the cost. The Group uses the same cost formula for all inventories of a similar nature and use. For inventories with a different nature or use, different cost formulas may be justified. Provisions for losses are calculated for all inventories considered obsolete or slow-moving, taking into account their expected future use and their realizable value. The realizable value represents the estimated selling price in the ordinary course of business, net of all the estimated costs for the completion of the asset and the sales and distribution costs that will incur.

Receivables (IAS 32 and 39)

Receivables include all non-derivative financial assets with fixed or determinable payments that are not listed on an active market, with the exception of:

- those which are to be sold immediately or in the short term, which are classified as held for trading, and those which, at the time of initial recognition, are designated at fair value through profit or loss;
- those that at the time of initial recognition are designated as available for sale;
- those for which there is the risk of not recovering the entire initial investment, not due to the deterioration of the credit, which must be classified as available for sale.

The initial recognition of receivables takes place when a right to receive payment of the contractually agreed sums is acquired, and therefore at the time of payment. The initial recognition value coincides with the fair value of the asset, normally equal to the amount disbursed, including the costs / income directly attributable to the individual instrument and determinable from the origin of the transaction, even if liquidated at a later date.

If the recognition in the “Receivables” item occurs following reclassification from financial assets at fair value through profit or loss, then the fair value of the asset at the date of the reclassification represents the initial recognition value.

After initial recognition, receivables are valued at amortized cost, equal to the initial recognition value, net of capital repayments, increased or decreased by value adjustments or recoveries and amortization calculated using the effective interest rate method.

The effective interest rate is the rate that equals the present value of future credit flows, for principal and interest, to the amount disbursed, including the costs / income directly attributable to the loan.

At the balance sheet date, or during the interim period, the loans are subjected to an impairment test, in order to identify any objective evidence that the loans have suffered impairment.

If there is objective evidence that a loss due to impairment of receivables incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset. The amount of the adjustments is recorded in the income statement.

The original value of the receivables is reinstated, with recognition in the income statement, in subsequent financial years to the extent that the reasons that determined the adjustment cease to exist.

Receivables are eliminated from assets only if (i) the contractual rights on the financial flows deriving from the financial assets expire, or if (ii) the Group transfers all the risks and benefits associated with the financial assets.

If it’s not possible to ascertain the substantial transfer of the risks and benefits, the receivables are cancelled if no type of control over them is maintained. Otherwise, the retention, even in part, of this control entails the maintenance in the financial statements of the receivables equal to the residual involvement (continuing involvement). The value of the residual involvement in the transferred receivables corresponds to the extent to which the Company is exposed to changes in the value of the loans themselves.

Receivables, according to their nature, are classified in the following items:

- financial receivables;
- different receivables and other activities.

If at the time of registration, the enforceability of the debt is contractually fixed beyond the following financial year, the receivables are classified as “non-current” assets. Receivables expiring within the next year or with an indefinite expiration date are classified under “current” assets.

Cash and cash equivalents (IAS 32 and 39)

Cash and cash equivalents include bank deposits, postal deposits, cash in hand and other forms of short-term investments, with an original maturity of three months or less. Current account overdrafts are classified as financial debt in current liabilities. The elements included in the cash and cash equivalents are valued at fair value and the related changes are recorded in the income statement.

Derivative financial instruments for hedging (IAS 32 and 39)

The types of hedging operations are as follows:
- fair value hedging, aimed at neutralizing the exposure to changes in the fair value of a balance sheet item;
- cash flow hedging, aimed at neutralizing the exposure to changes in future cash flows attributable to particular risks associated with balance sheet.

Hedging derivatives are measured at fair value and recorded under the items “other financial assets” and “other financial liabilities”; in particular:
- for fair value hedging instruments, the rules established in this regard by IAS 39 in relation to the provisions for the “Fair Value Hedge” are followed. These are hedging instruments with the objective of hedging the exposure to changes in the fair value of certain financial assets relating to financial assets, deriving in particular from the risks associated with the variability of their value. The profit or loss resulting from the re-measurement of the hedging instrument at fair value, for a derivative hedging instrument, is recognized in the income statement. The profit or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item, immediately recognizing it in the income statement, even if the hedged item is otherwise valued at cost. As specified by IAS 39, the recognition of the profit or loss attributable to the risk covered in the income statement also applies if the hedged item is a financial asset available for sale;
- in the case of cash flow hedges, changes in fair value are recognized in equity for the effective portion of the hedge and in the income statement only when, in reference to the hedged item, cash flow variations to offset occur.

The derivative instrument can be considered as hedging if there is formal documentation regarding the univocal relationship with the hedged item and if the documentation was effective when the hedge began and, prospectively, throughout its life.

A report qualifies as a hedge, and finds consistent accounting representation, only if all the following conditions are met:
- at the beginning of the hedge there is a formal designation and documentation of the hedging relationship, of the Group’s objectives in risk management and of the strategy to make the hedge. This documentation includes the identification of the hedging instrument, the element or transaction hedged, the nature of the hedged risk and the manner in which the company assesses the effectiveness of the hedging instrument in offsetting the exposure to changes in fair value of the item covered;
- coverage is highly effective;
- the effectiveness of the hedge can be reliably assessed;
- The hedge is assessed on the basis of a continuity criterion and is considered highly effective for all the financial years for which the hedge was designated.

The hedge is considered highly effective if, at the beginning and during its life, changes in the fair value of the hedged amount are almost completely offset by changes in the fair value of the hedging derivative, ie the actual results are within a range between 80% and 125%.
The effectiveness of the hedge is verified at the initial stage through the performance of the prospective test and at the time of the preparation of the annual financial statements through the performance of the retrospective and prospective test; the outcome of this test justifies the application of hedge accounting, in that it demonstrates its expected effectiveness.

Assets and Liabilities held for sale and discontinued operations (IFRS 5)

Assets and Liabilities held for sale and Discontinued operations are classified as such if their carrying amount will be recovered mainly through sale rather than through continuous use.
These conditions are considered fulfilled when the sale or discontinuity of the group of assets being sold is considered highly probable and the assets and liabilities are immediately available for sale in the conditions in which they are located.

When the Group is involved in a disposal plan that involves the loss of control of an investee company, all the assets and liabilities of this investee company are classified as held for sale when the conditions described above are fulfilled, even if, after the disposal, the Group continues to hold a minority interest in the subsidiary.
Assets held for sale are valued at the lower between their net book value and fair value less costs to sell.

Non-current assets held for sale, disposal groups and discontinued operations whose book value will be recovered mainly through sale rather than through continuous use, are valued at the lower of their net book value and fair value less costs to sell.
In particular, the disposal group refers to a group of directly related assets and liabilities destined for divestment in the context of a single transaction.
Discontinued operations, on the other hand, consist of a significant components of the group, such as for example an important independent business segment or geographical area of activity or a subsidiary acquired exclusively for resale.
In accordance with the IFRS, the data relating to non-current assets held for sale, disposal groups and discontinued operations are presented in two specific items in the statement of financial position: assets held for sale and liabilities directly associated with assets held for sale.

Non-current assets held for sale are not amortized and are valued at the lower between their carrying amount and fair value, reduced by sales charges; any difference between the book value and the fair value reduced by the sale costs is charged to the income statement as a write-down.

With exclusive reference to any discontinued operations, the net economic results achieved by them during the disposal process, the capital profits / losses deriving from the disposal itself and the corresponding comparative figures for the previous financial year / period are presented in a specific item in the Income Statement: net profit (loss) from discontinued operations / assets held for sale.

On the other hand, in regards to the profits / losses recognized as a result of the fair value measurement less costs to sale or the disposal of non-current assets (or disposal groups) classified as “held for sale”, in accordance with IFRS 5, a specific item in the income statement entitled “Result from non-recurring transactions” was created, included in the result of operating activities, as better described in the previous section of the financial statements.

Write-off of financial assets and liabilities

Financial assets:

A financial asset (or, where applicable, pert of a financial asset or part of a Group of similar financial assets) is eliminated from the financial statements when:

- the rights to receive cash flows from the asset are payed off;
- the Group retains the right to receive cash flows from the asset, but assumed the contractual obligation to pay them entirely and without delay to a third party;
- the Group transferred the right to receive cash flows from the asset and (a) substantially transferred all the risks and benefits of ownership of the financial asset or (b) did not transfer or substantially retain all the risks and benefits of the asset, but transferred control over it.

In cases where the Group transferred the rights to receive cash flows from an asset and did not substantially transfer or retain all the risks and benefits or did not lose control over it, the asset is recognized in the company’s balance sheet to the extent of its residual involvement in the asset itself. The residual involvement that takes the form of a guarantee on the transferred asset is valued at the lower between the initial carrying amount of the asset and the maximum amount of the consideration that the company could be required to pay.

Financial liabilities:

A financial liability is canceled from the financial statements when the obligation underlying the liability is payed off, canceled or fulfilled.

Debt and Bond Loans (IAS 32 and 39)

The first entry of these financial liabilities occurs at the time of signing the contract, which coincides with the time of receipt of the sums collected.

Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, adjusted to the increase or decrease of any additional costs / income directly attributable to the individual funding transaction and not reimbursed to the creditor counter-party. Internal administrative costs are excluded.
After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

Debts, depending on their nature and maturity, are classified in the following items:
- bond loans:
- financial debts;
- different debts and other liabilities.

If at the time of registration, the enforceability of the debt is contractually fixed beyond the following financial year, it is classified as a “non-current” liability. Debts due within one year or without a specific due date are to be classified as “current” liabilities.

Other financial liabilities (IAS 32 and 39)

Initial recognition of financial liabilities takes place on the settlement date for both debt securities and derivative contracts.
Upon initial recognition, financial liabilities held for trading are recognized at their fair value, which normally corresponds to the amount collected without considering the transactions costs or income directly attributable to the instrument itself, which are instead booked directly to the income statement.
This category includes debt securities and the negative value of derivative contracts, with the exception of those designated as hedging instruments.
Subsequent to initial recognition, financial liabilities held for trading are measured at fair value, with recognition of changes as an offset to the income statement.
For the determination of the fair value of financial instruments quoted in an active market, market quotations are used. In the absence of an active market, estimation methods and generally accepted valuation models are used, which are based on market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounting of future cash flows, models of determination of the price of options, values recorded in recent comparable transactions.
Financial liabilities are eliminated when they are expired or payed off, even against purchases of equal securities. The difference between the book value of the liability and the amount paid to purchase it is recorded in the income statement.
The profits and losses deriving from the change in the fair value of financial liabilities are recorded in the net result of trading activity item in the income statement.

Provisions for personnel (IAS 19)

Severance pay is considered as a defined benefit program. The benefits guaranteed to employees are recognized monthly with the accrual and they are paid in coincidence of the termination of the employment relationship.
The severance indemnity is set aside on the basis of the seniority reached by at the end of the financial year by each employee, in compliance with the laws and labor contracts in force at the balance sheet date. The provision reflects the actual debts due to employees, on the basis of accrued seniority and the remuneration paid, recalculated on the basis of its actuarial value. The actuarial valuations adopted are the best estimates regarding the variables that determine the final cost of the services subsequent to the termination of the employment relationship.
For the purposes of discounting, the company uses the unit credit projection method, which envisages the projection of future disbursements based on historical statistical analysis and the demographic curve and the financial discounting of these flows on the basis of a market interest rate. Actuarial profits and losses are recognized in the valuation reserve following the adoption of the Revised IAS19 accounting standard.

Payment agreements based on own equity investments (IFRS 2)
As part of medium to long-term incentive plans, agreements are envisaged in favor of the Chief Executive Officer of Mittel S.p.A. and part of the management, with payments based on shares representing the capital, which consist in the assignment of rights granted to beneficiaries, subject to the fulfillment of the established conditions, the right to obtain, at the end of the last vesting year, the monetary equivalent or in shares of the Company, at the discretion of the Board of Directors.
In particular, the long-term variable incentive plan is based on the allocation of Stock Appreciation Rights (SARs) whose value depends on the performance of the Mittel S.p.A. share. This plan provides that the

beneficiaries, subject to the fulfillment of the established conditions, can obtain the monetary or equity equivalent of the increase in the value of the Company's ordinary share.
The fair value of transactions with share-based payments settled with equity instruments is recognized as a cost in the income statement under the cost of personnel or services, as a counter-part to the shareholders' equity, according to the accrual principle in proportion to the period in which it is received, provided the service and in consideration of the conditions established by the regulation of incentive plans that give the Company the option to choose between the cash settlement or the issue of instruments representing capital.

Treasury shares (IAS 32)

The treasury shares in portfolio are deducted from equity. No profit or loss deriving from the purchase, sale, issue or cancellation of treasury shares is recorded in the income statement. The differences between the purchase and sale price deriving from these transactions are recorded in equity reserves.

Business combinations and Goodwill

A business combination consists of a union of companies or separate business activities in a single entity required to prepare the financial statements.
The business combination can give rise to a participatory link between the parent company (acquirer) and the subsidiary (acquired) or it may also include the purchase of the net assets of another company, including any goodwill.
Business combinations are accounted for using the acquisition method provided for by IFRS 3 - 'Business combinations'. The cost of a business combination, identified as the fair value at the date of acquisition of control of the assets sold, liabilities assumed and equity instruments issued for the purpose of aggregating, including directly attributable costs, is therefore allocated by recognizing, at the acquisition date, the fair value of assets, liabilities and contingent liabilities identifiable to purchase that meet the conditions for registration in accordance with IFRS 3.
Ancillary charges for business combinations are recorded in the income statement in the period in which they are incurred.
The considerations subject to conditions are considered part of the transfer price of the net assets acquired and are valued at fair value at the acquisition date. Similarly, if the aggregation contract provides for the right to the repayment of certain components of the price upon the occurrence of certain conditions, this right is classified as an asset by the purchaser. Any subsequent changes in this fair value are recognized as an adjustment to the original accounting treatment only if they are determined by greater or better information about this fair value and if they occur within twelve months from the acquisition date: all other changes must be recorded in the income statement.
The goodwill resulting from the acquisition is to be allocated to cash-generating business units (CGU) in which the business combination activity is hived off, since the goodwill is unable to generate cash flows on its own. The international accounting standard IAS 36 provides that each CGU or group of CGUs to which the goodwill is allocable must represent the lower level at which the company controls the goodwill for management purposes and can't however exceed a segment for which the company presents disaggregated information, pursuant to IFRS 8 - 'Operating Segments'.

Any positive difference between the purchase cost and the portion attributable to the Group of the fair value of assets, liabilities and contingent liabilities identifiable to purchase is recognized as goodwill. If the difference is negative, it is directly recorded in the Income Statement.
The interests of minority shareholders in the acquired company are initially valued as much as their fair value of the assets, liabilities and contingent liabilities recorded.
If a business combination is carried out in stages with subsequent purchases of shares, each phase is assessed separately using the cost and the information relating to the fair value of the assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of difference, if any. The initial allocation to the assets and liabilities referred to above, using the option set out in IFRS 3, may be determined provisionally by the end of the year in which the transaction was carried out, and it's possible to recognize the value adjustment provisionally assigned in the initial accounting within twelve months from the date of acquisition of control.
After initial recognition, goodwill is valued at cost less any accumulated impairment losses.
Goodwill is always referred to identified income assets whose cashflow and income generation capacity is constantly monitored for the purpose of its assessment (impairment test).
In the case of an acquisition of a subsidiary in stages, the previously held minority shareholding, until that moment recorded in accordance with IAS 39 - Financial Instruments: Recognition, or in accordance with IAS 28 - Investments in associated companies and joint ventures, is treated as if it were sold and reacquired on

the date on which control was acquired. This investment is therefore valued at its fair value on the date of "sale" and the profits and losses resulting from this valuation are recorded in the income statement. Furthermore, any value previously recorded in equity as Other comprehensive income and losses is recognized in the income statement following the sale of the asset to which it refers, and is reclassified to the income statement. The goodwill or income (in the case of bad-will) deriving from the deal concluded with the subsequent acquisition is determined as the sum of the price paid to obtain control, the value of minority interests (valued according to one of the permitted methods from the get-go), and the fair value of the previously held minority interest, net of the fair value of the net identifiable assets acquired.
Accounting for the acquisition of additional shares in companies already controlled is considered as transactions with shareholders and, therefore, the differences between acquisition costs and the carrying amount of the minority shares acquired are recognized in group equity.
Similarly, sales of minority interests without loss of control do not generate profits / losses in the income statement but changes in the Group's shareholders' equity.

Income taxes (IAS 12)

The effects relating to current and deferred taxes calculated in compliance with national tax legislation on the basis of the accruals method are recorded, in line with the methods for recognizing the costs and revenues that generated them, applying the current tax rates.
Income taxes are recorded in the income statement with the exception of those relating to items debited or credited directly to equity.
The provision for income taxes is determined on the basis of a prudent forecast of the current tax burden, the anticipated and the deferred tax burden.
In particular, current taxes include the net balance between current liabilities for the year and current tax assets represented by advances and other tax credits for withholding taxes incurred.
Prepaid and deferred taxes are calculated on the basis of temporary differences - without time limits - between the value attributed to an asset or liability, according to statutory criteria, and the corresponding values assumed for tax purposes.
Deferred tax assets are recorded in the financial statements to the extent that they are likely to be recovered, assessed on the basis of the capacity of the company concerned or of the whole of the member companies, due to the exercise of the "tax consolidation" option, to continuously generate positive taxable income.
Prepaid and deferred taxes are recorded on the balance sheet by performing the offsets at the same tax level and for each year, taking into account the expected repayment time profile.
In the financial years in which the temporary deductible differences are higher than the taxable temporary differences, the relative prepaid taxes are recorded in the assets of the balance sheet among the advance tax assets. On the other hand, in the financial years in which the taxable temporary differences are higher than the deductible temporary differences, the related deferred taxes are recorded under liabilities in the balance sheet among deferred tax liabilities.
Assets and liabilities recorded for prepaid and deferred taxes are systematically assessed to take into account any changes in the rules or rates of any different subjective situations of the companies of the Group. In addition to the allocation of current and deferred / prepaid tax items, the Group monitors, in compliance with IAS 37, any risks that may derive from assessments already notified or in any case from disputes in place with the tax authorities.

Provisions for risks and charges (IAS 37)

Provisions for risks and charges are only made when:

- there is a current (legal or implicit) obligation as a result of a past event;
- it is probable that the use of resources will be necessary to produce economic benefits to fulfill the obligation;
- a reliable estimate can be made of the amount of the obligation.

When the time element is significant, provisions are discontinued. The provision for risks and charges is recognized in the income statement. Interest expense accrued on provisions that were discontinued is also recorded in the income statement.
The "other provisions" include, if necessary, provisions for presumed losses on litigation, including any avoidance actions; estimated outlays for consumer complaints about assets; any other estimated outlays for legal or implicit obligations existing at year-end.

Revenue recognition (IAS 18)

Revenues are measured at the fair value of the amount received for the sale of products or services.

Product sales

Revenues from product sales are recognized when all the following conditions are met:

- the significant risks and benefits associated with the ownership of the assets were transferred to the purchaser;
- effective control over the assets involved in the transaction and the normal ongoing level of activities associates with ownership ceased;
- the value of revenues is determined reliably;
- it is probable that the economic benefits deriving from the sale will be enjoyed by the company;
- the costs incurred or to be incurred are determined reliably.

In cases where the nature and extent of the seller's involvement are such that the risks and benefits relating to ownership are not effectively transferred, the time of recording the revenues is deferred until the date on which such transfer can be considered occurred.

Provision of services

Revenues from services are recognized only when the results of the transaction can be reliably estimated, in reference to the stage of completion of the transaction at the reporting date.
The results of an operation can be reliably estimated when all the following conditions are met:

- the amount of revenues can be determined reliably;
- it is probable that the company will enjoy the economic benefits deriving from the transaction;
- the stage of completion of the transaction at the balance sheet date can be reliably measured;
- the costs incurred for the operation and the costs to be incurred to complete it can be determined reliably.

Interest

Interest is recognized *pro-rata temporis* on the basis of the contractual interest rate or the effective interest rate in the case of application of the amortized cost.

Commissions

Commissions for revenues from services are recorded on the basis of the existence of contractual agreements, in the period in which the services were provided.

Royalties

Royalties are recognized on the basis of the accrual principal, as required by the content of the related agreement.

Dividends

Dividends are recognized when the right to receive payment arises, which normally corresponds to the resolution passed by the Shareholders' Meeting for the distribution of dividends.

Financial guarantees

The financial guarantees issued are initially recognized at fair value. If the financial guarantee was issued as part of an operation at market conditions to a third party to the Group, the initial fair vale coincides with the agreed remuneration, unless there is evidence to the contrary. Subsequently, the value of the guarantee is equal to the greater of: (i) the amount determined in accordance with IAS 37; (ii) the amount initially recorded, restated according to the cumulative amortization recognized method (IAS 18). The guarantees received, removed from the scope of application of IAS 39 and IFRS 4, are accounted for in accordance with paragraphs 10-12 of IAS 8, i.e. by recording the related cost in the income statement.

Earnings per share (IAS 33)

Basic profits per share are determined by comparing the net profit for the year attributable to the Shareholders holding ordinary shares of the Parent Company to the weighted average number of ordinary shares outstanding during the period.
Diluted profits per share are calculated by adjusting the weighted average number of outstanding ordinary shares in order to take account of all potential ordinary shares, deriving, for example, from the possibility of exercising the assigned stock option plans, which may have a dilutive effect.

Use of estimates

The preparation of the financial statements and the related notes, in application of the IFRS, requires management to make use of estimates and assumptions that affect the values of assets and liabilities in the financial statements and the disclosure relating to potential assets and liabilities at the balance sheet date.
The estimates and assumptions used are based on experience and other factors considered relevant. The actual results may therefore differ from these estimates. The estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the income statement in the financial year in which the estimate is revised, if the revision itself has effects only on that financial year, or even in subsequent periods if the revision has effects both on current and future financial years.
The items in the financial statements mainly affected by this estimation process are goodwill, deferred taxes, the fair value of financial instruments and the provision fro risks and charges.
Please refer to the specific sections for more details.

Main sources of uncertainty in making budget estimates

The critical evaluation processes and key assumptions used by the Group in the application process of the IAS / IFRS are summarized below.

Discretionary choices in the process of applying accounting principles

Financial assets of the portfolio available for sale

The financial assets of the available-for-sale portfolio are subjected to an Impairment test (assessment of the loss in value dependent on the deterioration of the solvency of issuers) whenever events, that lead to the expectation that the investment has suffered a loss in value, occur.
The evaluation procedure is divided into two phases:
- identification of situations of deterioration in the solvency of issuers and identification of impaired assets;
- quantification of losses associated with impairment situations. These losses are equal to the negative difference between the current market value (or, for unlisted instruments, the present value - at the current rates of return of investments with a similar degree of risk - of the expected cash flows) of the impaired assets and their book value.

The criteria applied by the Group to identify a loss in value distinguish between debt securities and equities.

Impairment of debt securities

The objective evidence that a debt security may have suffered a loss in value is traceable to the list of loss events reported in IAS 39.59.
In the case of bonds with a “rating”, the deterioration of the creditworthiness of the issuer is assessed; in this regard, it is considered that the obligations that undergo deterioration such as to make them fall in rating classes below the “Investment grade” threshold are, reasonably, subject to a devaluation (impairment) while, in other cases, the deterioration of creditworthiness is instead to be assessed together with the other available factors.
In the case of bonds we consider the availability of specialized sources (for example investment indications provided by financial institutions, rating reports, etc.) or information available on “info-providers” (e.g. Bloomberg, Reuters, etc.), through which the relevance of the situation of deterioration of the issuer is determined more punctually.

In the absence of such elements, where possible, reference is made to the listing of bonds similar to the one taken into consideration, in terms of both the financial characteristics and the standing of the issuer.
In the case of financial assets recorded at amortized cost, the impairment test is instead aimed at determining whether the estimated value of future cash flows, discounted at the effective rate of original interest, is lower than the carrying amount of the asset. If the current value, calculated at the original rate, of the new expected cash flows is lower than the carrying amount, an impairment loss must be recorded in the income statement.
In the case of investments recorded at cost, the impairment test is based on the estimate of the current value of cash flows at the current market rate and the impairment test takes the form of a “discounted cash flow test”.
In this regard, it should be noted that the impairment test on debt instruments must be based on losses already incurred (incurred loss model) and not simply foreseen.

The impairment test, according to the setting of the incurred loss model, always presupposes a cash flow forecast, but this forecast must be based exclusively on past events and not on expected events that attest to the existence of an actual deterioration of the credit quality and therefore of reductions in expected flows (both for losses in capital and in interest).

Impairment of capital securities

In reference to equities classified as Available for sale, it is reasonable to assume that the shares in the portfolio are to be written down before the bonds issued by the issuing company; therefore, the indicators of devaluation of debt securities issued by a company, or the devaluation of such debt securities, are in themselves strong indicators of the impairment of the equity securities of the same company.

More generally, in order to establish whether there is evidence of impairment for a capital stock, in addition to the presence of the events indicated by IAS 39.59, and to the considerations previously indicated where applicable, the following two events are to be considered (IAS 39 § 61):
- significant changes with adverse effects on the technologies, markets, economic or legal environment relative to the issuer, which indicate that the cost of the investment can no longer be recovered;
- a significant or prolonged decline in the fair value of the investment below its cost.

In particular, in quantitative terms, if the fair value of the security were less than 30% compared to the carrying amount or the time period of a fair value situation lower than the carrying amount for more than 12 months, we would proceed with an analysis of the fundamentals of the investment and, in general, of the conditions that have had a negative impact on the market trend of the investment, so as to keep the investment closely monitored.

On the other hand, if one of the two parameters listed below were to occur, it would be necessary to automatically register an Impairment:
- fair value of the security 75% lower than the initial registration value;
- the continuation of the fair value situation lower than the initial carrying amount for a period exceeding 20 months.

In regards to investments in equity instruments, the need to recognize an Impairment also considers, individually or jointly, the following situations:
- the fair value of the investment is significantly lower than the purchase cost or is significantly lower than that of similar companies in the same sector;
- the management of the company is not considered of adequate standing and in any case capable of ensuring a recovery in share values;
- the reduction of the “credit rating” is revealed from the date of purchase;
- significant decline in profits, cash flows or in the net financial position of the issuer from the date of purchase;
- there is a reduction or interruption of the distribution of dividends;
- an active market for the bonds issued disappears;
- there are changes in the regulatory, economic and technological environment of the issuer that have a negative impact on its income, equity and financial situation;
- there are negative prospects for the market, sector or geographical area in which the issuer operates.

For available-for-sale financial assets, the impairment test is aimed at determining whether the change in the acquisition cost and the current fair value is recoverable, or if, on the contrary, it should consider a reduction in the value of the asset (Fair Value Impairment Test).

If there is evidence of impairment it is necessary to calculate the impairment loss to be charged to the income statement, coinciding with the loss accumulated in the balance sheet, without recourse to further estimates.

Recoverable amount of non-current assets (including goodwill)

Non current assets include tangible and intangible assets (including goodwill), equity investments and other financial assets. The management periodically reviews the carrying amount of the non-current assets held and used and the assets that must be divested, when facts and circumstances require such revision. This activity is carried out using estimates of expected cash flows from the use or sale of the asset and appropriate discount rates for calculating the current value. When the carrying amount of a non-current asset suffers an impairment loss, the Group recognizes a write-down for the value of the surplus between the book value of the asset and its recoverable value through its use or sale, determined with reference to the Group's most recent plans.

Feasibility of deferred tax assets

As of December 31, 2017, the Group presents deferred tax assets deriving from deductible temporary difference.
The management recorded the value of deferred tax assets up to the value for which recovery is considered likely, also taking into account a further worsening of the expected assumptions over a medium-term period and the fact that the net deferred tax assets, thus allocated, refer to temporary differences / tax losses that can be recovered.
The forecasts are based on the taxable income that can be generated with reasonable certainty in the light of the budget results and the forecasts for the following financial years that consider the reasonable expectation of implementation of the planned operations.
In detail, it should be noted that the Group did not allocate deferred tax assets on tax losses, if not within the limit of the amount recorded under current taxes, considered recoverable during the financial year through the remuneration due, in accordance with the provisions of the tax consolidation.
For further details, refer to the information in note 11 of the consolidated financial statements.

Receivables

For receivables and other assets, assessments are regularly carried out in order to verify the existence of objective evidence that they have suffered a reduction in value. In particular, the credit rating takes into account the creditors' solvency as well as the credit risk characteristics that are indicative of the payment capacity of the individual debtors. Any loss in value is recognized as a cost in the income statement for the financial year.
This category includes non-current receivables and loans, trade receivables and other receivables originated from the Group. The estimate of the bad debt provisions is based on expected losses on the part of the Group, determined on the basis of past experience with similar receivables, losses and collections.

Potential liabilities

The Group is subject to lawsuits in relation to which, considering the uncertainties inherent to them, it's difficult to predict with certainty the outlay that will derive from such disputes. The causes and disputes derive from complex legal problems, which are subject to a different degree of uncertainty, including the facts and circumstances inherent to each case. The Group recognizes a liability for such disputes when it considers it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. In the event that a financial outlay becomes possible but the amount can't be determined, this fact is reported in the notes attached to the consolidated financial statements.

Changes in accounting estimates

Pursuant to IAS 8, changes in accounting estimates are recorded prospectively in profit or loss from the financial year in which they are adopted. It should be noted that the 2015-2016 financial year was not characterized by changes in the estimation criteria already applied for the preparation of the financial statements as of September 30, 2015.

Changes in IFRS accounting standards, amendments and interpretations

Accounting standards, amendments and interpretations effective from October 1, 2016

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group starting from October 1, 2016:

- Amendments to IFRS 11 - “Accounting for acquisitions of interests in joint operations” (published on May 6, 2014): they relate to the recognition of the acquisition of interests in a joint operation whose activity constitutes a business. The adoption of these amendments had no impact on the consolidated financial statements of the Group.
- Amendments to IAS 16 and IAS 38 - “Clarification of acceptable methods of depreciation and amortization” (published on May 12, 2014): according to these amendments, an amortization criteria based on revenues is normally considered inappropriate, since the revenues generated by an initiative that includes the use of the asset subject to depreciation generally reflect factors other than the consumption of the economic benefits of the asset itself, a condition that is instead required for amortization. The adoption of this amendment had no impact on the consolidated financial statements of the Group.
- Amendment to IAS 1 - “Disclosure Initiative” (published on December 18, 2014): the objective of the modifications is to provide clarifications regarding disclosure elements that may be perceived as impediments to a clear and intelligible preparation of financial statements. The adoption of this amendment had no impact on the consolidated financial statements of the Group.
- On September 25, 2014, as part of the annual process of improvement of the standards, the International Accounting Standards Board (IASB) published the document “Annual Improvements to IFRSs: 2012-2014 Cycle (including: IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosure, and IAS 19 - Employee Benefits) which partially supplements the pre-existing principles. The adoption of these amendments had no impact on the consolidated financial statements of the Group.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

The Group has not applied the following new and amended standards, issued but not yet in force:

- IFRS 15 - Revenue from Contracts with Customers (published on May 28, 2014 and supplemented with further clarifications published on April 12, 2016) which is intended to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as IFRIC 13 interpretations - Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition, which will apply to all contracts entered into with customers, with the exception of those that fall within the scope of application of other IAS / IFRS standards, such as leases, insurance contracts and financial instruments. The fundamental steps for accounting for revenues, according to the new model, are:
  - the identification of the contract with the client;
  - the identification of the performance obligations of the contract;
  - the determination of the price;
  - the allocation of the price to the performance obligations of the contract;
  - the criteria for recording the revenue when the entity satisfies each performance obligation.

  The standard applies starting from January 1, 2018, but early application is permitted. The amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers, published by the IASB on April 12, 2016, have not yet been endorsed by the EU.

First application

The Group intends to retroactively apply IFRS 15 with a cumulative effect on the date of first application (i.e. January 1, 2018). Therefore it will not apply the provisions of the new standard to the comparison period presented.

First Time Adoption (FTA) effects

At the current stage of the analysis carried out, it is believed that the main impacts of the introduction of the new standard will concern the production of more detailed information on the nature, amount, timing and degree of uncertainty of revenues.

- Final version of IFRS 9 – Financial Instruments (published on July 24, 2014). The document includes the results of the phases relating to Classification and measurement, Impairment, and Hedge accounting of the IASB project, aimed at replacing IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities;
  - in reference to the impairment model, the new standard requires the estimate of losses on receivables to be carried out on the basis of the expected losses model (and not on the incurred losses model used by IAS 39), using information that can be supported, available without unreasonable costs or efforts, and which includes historical, current and future data;
  - it introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, change in the method of accounting for forward contract and options when included in a hedge accounting report, changes to the effectiveness test).

The new standard, which replaces the previous versions of IFRS 9, must be applied from financial statements starting on January 1, 2018 or later.

In reference to the impacts on the consolidated financial statements arising from the adoption of IFRS 9, reference should be made to the specific paragraph below.

- IFRS 16 – Leases (published on January 13, 2016), is intended to replace IAS 17 – Leases, as well as IFRIC 4 interpretations - 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 the control (right of use) of an asset, to distinguish leasing contracts from service contracts, identifying as discriminating factors: the identification of the asset, the right to replace the asset, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.
The standard establishes a unique model for the recognition and assessment of leasing contracts for the lessee, which provides for the recording of the asset subject to a lease also operating in the assets with an offset financial debt, also providing the possibility of not recognizing as a lease contracts involving low-value assets and leases with a contract term of 12 months or less. In contrast, the Standard does not include significant changes for lessors.
The standard is applicable starting from January 1, 2019, but early application is permitted only for Companies that apply in advance the IFRS 15 - Revenue from Contracts with Customers.

The directors expect that the application of IFRS 16 may have a significant impact on the amounts and the related disclosures reported in the consolidated financial statements of the Group. However, it's not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the related contracts.

- "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" document (published on September 12, 2016). For entities whose business predominantly consists of insurance business, the changes are intended to clarify the concerns deriving from the application of the new IFRS standard to financial assets, before the IASB replaces the current IFRS 4 standard with the new standard currently being prepared, on the basis of which financial liabilities are instead measured.
- Amendment to IAS 7 - "Disclosure Initiative" (published on January 29, 2016). The purpose of the document is to provide some clarifications to improve disclosure on financial liabilities. In particular, the amendments require the provision of information to allow users of the financial statements to understand the changes in liabilities deriving from financing transactions. The amendments apply

starting from January 1, 2017, but early application is permitted. The presentation of comparative information relating to previous financial years is not required.

- Amendment to IAS 12 - “Recognition of Deferred Tax Assets for Unrealized Losses” (published on January 19, 2016). The purpose of the document is to provide some clarifications on the recognition of deferred tax assets on unrealized losses in the occurrence of certain circumstances and in the estimate of taxable income for future financial years. The amendments apply starting from January 1, 2017, but early adoption is permitted.

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

At the date of reference of these consolidated financial statements, the competent bodies of the EU have not yet completed the approval process necessary for the adoption of the amendments and the principles described below.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts, which are intended to replace IFRS 4 - Insurance Contracts.
  The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard is applicable starting from January 1, 2021, but early application is permitted only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The directors not expect a significant effect on the consolidated financial statements of the Group from the adoption of this principle.
- Amendment to IFRS 2 - “Classification and measurement of share-based payment transactions” (published on June 20, 2016), which contains some clarifications regarding the recognition of the effects of vesting companies in the presence of cash-settle share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share-based payment that modify the classification from cash-settled to equity-settled.
- “Annual Improvements to IFRSs: 2014-2016 Cycle” document, published on December 8, 2016 (including IFRS 1 - First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 - Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard), which partially integrates the existing principles.
- IFRIC Interpretation 22 - “Foreign Currency Transactions and Advance Consideration” (published on December 8, 2016). The purpose of the interpretation is to provide guidelines for transactions in foreign currency, where the non-cash advances or advances are recognized in the financial statements, prior to the recognition of the related asset, cost or revenue. This document provides indications on how an entity must determine the date of a transaction, and consequently, the spot exchange rate to be used when foreign currency transactions occur, in which payment is made or received in advance. IFRIC 22 is applicable starting from January 1, 2018, but early application is permitted.
- Amendment to IAS 40 - “Transfers of Investment Property” (published on December 8, 2016). These changes clarify the transfers of real estate to, or from, a real estate investment. In particular, an entity must reclassify a property between, or from, real estate investments only when there is evidence that a change in the use of the property has occurred. This change must be traced back to a specific event that happened and must not therefore be limited to a change in intentions by the management of an entity. These changes are applicable starting from January 1, 2018, but early application is permitted.
- On June 7, 2017, the IASB published the interpretative document IFRIC 23 - Uncertainty over Income Tax Treatments. The document deals with the issue of uncertainties on the tax treatment, to be adopted in regards to income taxes.
  The document provides that the uncertainties in determining liabilities or assets for taxes are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not contain any new disclosure obligations but underlies that the entity will have to establish whether it will be necessary to provide information on

the considerations made by management and related to the uncertainty inherent to the accounting of taxes, in accordance with IAS 1.
The new interpretation applies starting from January 1, 2019, but early application is permitted.

- Amendment to IFRS 9 - "Prepayment Features with Negative Compensation (published on October 12, 2017). This document specifies that the instruments that provide for early repayment may comply with the "SPPI" test, even if the "reasonable additional compensation", to be paid in the event of early repayment, is a "negative compensation" for the lender. The amendment applies starting from January 1, 2019, but early application is permitted.
- Amendment to IAS 28 - "Long-term Interests in Associates and Joint Ventures" (published on October 12, 2017). This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associated companies and joint ventures, for which the equity method is not applied. The amendment applies starting from January 1, 2019, but early application is permitted.
- "Annual Improvements to IFRSs 2015-2017 Cycle" document, published on December 12, 2017 (including IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 - Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 - Borrowing costs - Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalization) which incorporates the amendments to certain principles as part of the annual improvement process. The amendments apply starting from January 1, 2019, but early application is permitted.
- Amendment to IFRS 10 and IAS 28 - "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on September 11, 2014). The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 on the valuation of profit or loss resulting from the sale or conferment of a non-monetary asset to a joint venture or an exchange of a share in the capital of the latter. At this time, the IASB suspended the application of this amendment.
- IFRS Principle 14 - Regulatory Deferral Accounts (published on January 30, 2014) which only allows those who adopt IFRS for the first time to continue to recognize the amounts relating to the activities subject to regulated tariffs ("Rate Regulation Activities"), according to the previous accounting standards adopted.

The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments, for which, however, it's not possible to provide a reasonable estimate of the effects until the Group completes a detailed analysis.

Expected impact of the application of IFRS 9 - Financial Instruments

As previously described, IFRS 9 - Financial Instruments, introduces new provisions for the recognition and measurement of financial assets, financial liabilities and certain contracts for the purchase and sale of non-financial items. The standard replaces IAS 39 - Financial Instruments: Recognition and Evaluation.

Classification - Financial assets

In regards to classification, IFRS 9 exceeds the current categories of "IAS portfolios" by introducing a model for the classification of financial assets, guided, on the one hand, by the characteristics of the contractual cash flows of the instrument itself and, on the other hand, by the management intent (business model) with which the instrument is held.
In detail, the characteristics of the contractual cash flows are verified by means of the SPPI Test ("Solely Payments of Principal and Interest on the principal amount outstanding"), which is introduced by the new IFRS 9 Accounting Principle in order to verify whether a financial asset can be considered a "basic credit grant agreement", i.e. that the contractual cash flows consist exclusively of principal and interest payments accrued on the amount of the principal to be repaid.
In reference to business models, the same is determined by the Company for accounting principles, in order to reflect the way in which financial assets are effectively managed to pursue company objectives.
In light of the combination of the business model and the cash flow characteristics illustrated above, three accounting categories are envisaged: (i) assets measured at amortized cost - "Hold to Collect", (ii) assets measured at fair value with recognition in the income statement - "Trading / Other" and, finally, (iii) assets measured at fair value with recognition in equity - "Hold to Collect & Sale".

For the definition of the Hold to Collect business model, analysis are being finalized to define the thresholds to consider the frequent but not significant sales admitted, as well as the analysis of the participatory investments necessary to define whether to use the option for classification of the equity instruments at fair value with recognition in equity (without reversal to the income statement even in the case of sale of the instrument).
As far as the SPPI test is concerned, the Group has identified the methodology to be used for the performance, and the testing activities on the loan and securities portfolio are still being completed in order to identify its correct classification at the time of first application of the new principle. In relation to the loan portfolio, analysis, differentiated by types of receivables (commercial and financial) and by business segments, were carried out.
In regards to the securities sector, failure to pass the SPPI test will result in the reclassification of some financial instruments in the category of financial assets valued at fair value, with an impact on the income statement. Based on the recent clarifications provided by the IFRIC, it should be noted that the shares of investment funds held and currently classified under Financial Assets available for sale must be valued at fair value, with impacts on the income statement.
In light of the above, the transition to the new principle should essentially involve reclassification:

a. from the IAS 39 “Available for Sale” portfolio:

    - at fair value, with an impact on the income statement, because the SPPI test was failed, of investment fund shares, for approximately EUR 15 million;
    - at fair value, with an impact on the income statement, of equity securities, for approximately EUR 10 million.

b. from the IAS 39 “Loans & Receivables” portfolio:

    - At fair value, with an impact on the income statement, because the SPPI test was failed, of a loan of approximately EUR 20 million.

Impairment losses - Financial assets

IFRS 9 replaces the ‘incurred loss’ model envisaged by IAS 39 with a forecast model of the ‘expected credit loss’ (‘ECL’).
The new impairment loss model will apply to financial assets valued at amortized cost or FVOCI, with the exception of equity securities and assets deriving from the contracts with consumers.
Specifically, the new accounting standard establishes that, for financial assets not valued at fair value with impacts on the income statement, value adjustments are determined on the basis of the expected loss in 12 months and, in the event of a significant increase in credit risk with respect to the initial recognition date, on the basis of the expected loss determined over the entire residual life of the financial instrument. Based o these elements, financial assets are traced back to three stages:

- Stage 1 includes non-impaired financial instruments for which no significant increase in credit risk was observed, compared to the initial recognition date. In this case, a 12-month ECL will be calculated, i.e. the ECLs deriving from possible non-compliance within twelve months from the closing date of the financial year;
- Stage 2 includes non-impaired financial instruments for which a significant increase in credit risk was observed, compared to the initial recognition date. In this case, a long-term ECL will be applied, i.e. ECLs deriving from all possible defaults along the expected life of a financial instrument;
- Stage 3 included impaired financial instruments. The valuation will be determined analytically on the basis of the loss calculated on the residual life of the instrument.

The Group identified the main criteria that involve the transition from the first to the second stage, in particular, reference is made to the presence of significant expirations and / or indicators of a significant increase in credit risk (the relevant quantitative parameters are currently being defined).

Classification - Financial liabilities

IFRS 9 essentially maintains the provisions of IAS 39 for the classification of financial liabilities.
However, while IAS 39 requires the recognition of all the changes in the fair value of the liabilities designated to the FVTPL in the profit / (loss) for the financial year, IFRS 9 requires that these changes in fair value be presented as follows:

- the amount of the change in fair value attributable to the changes in the credit risk of the liabilities must be presented in the other components of the comprehensive income statement;
- the residual amount of the change in fair value must be recognized in profit / (loss) for the financial year.

The Group has not designated financial liabilities to the FVTPL nor, at the moment, intents to do so. Based on the assessment conducted by the Group, the application of the IFRS 9 provisions on the classification of financial liabilities as of January 1, 2018, will not generate significant effects.

Financial reporting

IFRS 9 will require a new and detailed disclosure of the financial statements, in particular regarding hedge accounting, credit risk and expected credit losses. The Group has started the project activities in order to adapt the production process of financial reporting to the requirements of the new accounting standard.

First application

The amendments to the accounting standards deriving from the adoption of IFRS 9 will be applied substantially in a retroactive manner, except for what follows.

- The Group intends to avail itself of the exemption that allows it not to recalculate the comparative information of the previous financial years relating to changes in classification and valuation (including losses due to impairment). In general, the differences in the carrying amounts of the financial assets and liabilities arising from the adoption of IFRS 9 will be recognized under retained earnings and reserves as of January 1, 2018.
- The following evaluations will be made on the basis of the facts and circumstances in force on the date of first application:
    - Definition of the business model in which a financial activity falls.
    - Designation and revocation of previous designations of certain financial assets and liabilities in the FVTPL category.

First Time Adoption (FTA) effects

On the basis of the above, the expected impacts resulting from the first application of the new principle on the consolidated net equity of the Group, as of January 1, 2018, are presumably estimated at less than 2% of the consolidated shareholders' equity.

3. Consolidation scope

The consolidated financial statements include Mittel S.p.A. and the companies directly and indirectly controlled by it, including in the scope of consolidation - as specifically required by the IAS / IFRS principles - also companies operating in sectors of activity that differ from that of the Parent Company.
Subsidiaries are companies in which Mittel is exposed to variable returns, or has rights to such returns, arising from its relationship with them, and at the same time has the ability to affect returns by exercising its power over such entities.
The control can only be configured by the simultaneous presence of the following elements:

- the power to direct the significant activities of the investee;
- the exposure or rights to variable returns arising from the relationship with the entity being invested;
- the ability to exercise its power over the investee to affect the amount of its returns.

There are no structured entities in the consolidation area for which effective control requirements can be used, even regardless of the existence of a share.
Jointly controlled entities are those in which, on a contractual basis, control is shared between the Parent Company, directly or indirectly, and one or more other parties, or when the decisions concerning the relevant activities require the unanimous consent of all the parties that share control.
The companies in which Mittel, directly or indirectly, owns at least 20% of the voting rights (including "potential" voting rights) or in which - despite a lower proportion of voting rights - it has the power to participate in the determination of financial and management policies by virtue of particular legal links, such as participation in trade union agreements, are considered associated companies.
Some assets exceeding 20% are excluded from the scope of consolidation and classified as available-for-sale-assets, although they are limited in amount, since Mittel directly or indirectly holds only property rights on a portion of the investments, but doesn't have access to management policies and may exercise governance rights limited to the protection of its own interests.
Lastly, the non-investee companies of which pledged shares with voting rights of more than 20% were received, are excluded from the scope of consolidation, in consideration of the purpose of this instrument, which is to protect the credit granted and not to exercise the control and direction of financial and economic policies, in order to take advantage of the economic benefits deriving from them.

Compared to the situation as of September 30, 2016, significant changes occurred in the area of consolidation between consolidate companies on an integral basis, associated companies and investments subject to joint control deriving from the application of IFRS 10 and IFRS 11. The consolidation area, as of December 31, 2017, underwent, in particular, the following main changes:

- in October 2016 the business branch of the debt advisory sector of Mittel Advisory Debt and Grant S.r.l. was introduced into the company Ethica & Mittel Debt Advisory S.r.l. (already Cerca S.r.l.), in the capital of which a third partner with a 49% share entered with similar contribution; the change in the interest did not, however, have a significant impact on the consolidated financial statements;
- on November 9, 2016, the acquisition of 75% of Gruppo Zaffiro took place, in relation to which reference should be made to the detailed information contained in the specific paragraph of this note;
- in December 2016, the loss of significant influence on the investee company Castello SGR S.p.A. took place, which led to the deconsolidation of the investee company (previously consolidated at equity);
- on May 8, 2017, the interest held in Santarosa S.r.l. increased due to the purchase by Mittel Investimenti Immobiliari S.r.l. of the shares previously held by third-party shareholders;
- on June 22, 2017, 80% of the company Ceramica Cielo S.p.A. was purchased, for which reference should be made to the detailed information contained in the specific paragraph of this note;
- on September 2017, 75% of the Industria Metallurgica Carmagnolese - IMC S.p.A. company was acquired, in reference to which please refer to the detailed information present in the specific paragraph of this note.

The following table shows the investments included in the full consolidation area of the consolidated financial statements as of December 31, 2017:

	Company name	Office / Country	Type of relationship (a)	Consolidation method	Investment relationship			
					Participating company	Direct interest %	Direct availability of votes % (b)	Total interest %
Parent Company								
	Mittel S.p.A..							
A. Companies fully consolidated								
Direct subsidiaries:								
1	CAD Immobiliare S.r.l.	Milan	(1)	Full	Mittel S.p.A. - MII S.r.l.	100,00%	100,00%	100,00%
2	Earchimede S.p.A.	Milan	(1)	Full	Mittel S.p.A.	85,01%	85,01%	85,01%
3	Ghea S.r.l.	Milan	(1)	Full	Mittel S.p.A.	51,00%	51,00%	51,00%
4	Locaeffe S.r.l. in liquidation	Brescia	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
5	Markfactor S.r.l. in liquidation	Brescia	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
6	Mittel Advisory Debt and Grant S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
7	Mittel Advisory S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
8	Mittel Investimenti Immobiliari S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
9	Mittel Design S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
10	IMC S.p.A.	Carmagnola (TO)	(1)	Full	Mittel S.p.A.	75,00%	75,00%	75,00%
11	Gruppo Zaffiro S.r.l.	Martignacco (UD)	(1)	Full	Mittel S.p.A.	75,00%	75,00%	75,00%
Indirect subsidiaries:								
12	Breme S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
13	Esse Ventuno S.r.l. in liquidation	Milan	(1)	Full	MII S.r.l.	90,00%	90,00%	90,00%
14	Ethica & Mittel Debt Advisory S.r.l. (già Cerca)	Milan	(1)	Full	Mittel Advisory Debt and Grant	51,00%	51,00%	51,00%
15	FD33 S.r.l.	Milan	(1)	Full	Earchimede S.p.A.	100,00%	100,00%	85,01%
16	Fede S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
17	Gamma Tre S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
18	Iniziative Nord Milano S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
19	Lucianita S.r.l.	Milan	(1)	Full	MII S.r.l.	51,00%	51,00%	51,00%
20	MiVa S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
21	Regina S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
22	Santarosa S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
23	Fashion District Group S.r.l. in liquidation	Milan	(1)	Full	Earchimede S.p.A. - FD33 S.r.l.	66,66%	66,66%	56,67%
24	Parco Mediterraneo S.r.l.	Brescia	(1)	Full	FD33 – Fashion District G.	100,00%	100,00%	59,50%
25	Zaffiro Ancona S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
26	Zaffiro Ancona Uno S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
27	Zaffiro Fagagna S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
28	Zaffiro Fermo S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
29	Zaffiro Magnano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
30	Zaffiro Martignacco S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
31	Zaffiro Montesicuro S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
32	Zaffiro Rivignano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
33	Zaffiro San Lorenzo S.r.l.	San Lorenzo in Campo (PU)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
34	Zaffiro Sviluppo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
35	Zaffiro Tarcento S.r.l.	Tarcento (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
36	Zaffiro Urbania S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
37	Ceramica Cielo S.p.A.	Fabrica di Roma (VT)	(1)	Full	Mittel Design S.r.l.	80,00%	80,00%	80,00%
38	Balder S.r.l.	Milano	(1)	Full	IMC S.p.A.	100,00%	100,00%	75,00%
B. Companies consolidated using the equity method								
Direct associates:								
1	Mittel Generale Investimenti S.r.l.	Milan	(6)	Equity	Mittel S.p.A.	27,00%	27,00%	27,00%
2	Bios S.p.A.	Milan	(4)	Equity	Mittel S.p.A.	50,00%	50,00%	50,00%
3	Mit.Fin. S.p.A.	Milan	(6)	Equity	Mittel S.p.A.	30,00%	30,00%	30,00%
4	Chase Mittel Capital Holding II NV	Dutch Antilles	(6)	Cost (c)	Mittel S.p.A.	21,00%	21,00%	21,00%
Indirect associates:								
5	Superpartes S.p.A.	Brescia	(7)	Equity	Earchimede S.p.A.	11,89%	11,89%	10,11%

(a) Type of relationship:
1 – majority of voting rights at ordinary shareholders' meeting;
2 – dominant influence at ordinary shareholders' meeting;
3 – agreements with other shareholders;
4 – joint control;
5 – other forms of control which, pursuant to IFRS 10, simultaneously attribute availability of the power of governance over the relevant activities and exposure to the variability of the resultant returns;
6 – company subject to significant influence;
7 - company subject to significant influence based on agreements with other shareholders which regulate their governance and administration with binding veto power over significant specific matters;
(b) Availability of votes at ordinary shareholders' meeting, distinguishing between actual and potential.
(c) The investment in Chase Mittel Capital Holding NV which is inactive and irrelevant is maintained at cost given that the valuation using the equity method is approximated by the cost.

Valuations and significant assumption to determine the consolidation scope

As previously mentioned, the companies considered subsidiaries are those in which Mittel S.p.A. is exposed to variable returns, or has rights to such returns, arising from its relationship with them, and at the same time has the ability to affect returns by exercising its power over these entities. The control can be configured only with simultaneous presence of the following elements:

- the power to direct the significant activities of the investee;
- the exposure or rights to variable returns arising from the relationship with the entity being invested;
- the ability to exercise its power over the investee to affect the amounts of its returns.

Specifically, the Group considers the following factors to assess the existence of control:

- the purpose and structure of the investee, in order to identify the entity's objectives, its relevant activities, i.e. those that most affect its returns, and how these activities are governed;
- the power, in order to understand whether the Group has contractual rights that attribute the ability to manage the relevant activities;

- the exposure to the variability of the investee's returns, in order to assess whether the return received by the Group may vary in potential terms depending on the results achieved by the investee company.

Furthermore, in order to evaluate the existence of control, potential principal-agent relationships are taken into consideration to evaluate whether it operates as a principal or as an agent, the Group takes into consideration the following factors:

- decision-making power on the significant activities of the investee company;
- the rights held by other subjects;
- the remuneration to which the Group is entitled;
- the Group's exposure to the variability of returns deriving from the possible investment held in the investee company.

IFRS 10 identifies as "significant activities" only those assets that significantly affect the returns of the investee company. In general terms, when the relevant assets are managed through voting rights, the following factors provide evidence of control:

- possession, directly or indirectly through its subsidiaries, of more than half of the voting rights of an entity, unless, in exceptional cases, it can be clearly demonstrated that such possession does not constitute control;
- Possession of half, or less, of the votes that can be exercised at the meeting and the ability to unilaterally govern the relevant activities by: controlling more than half of the voting rights by virtue of an agreement with other investors; or having the power to determine the financial and operating policies of the entity by virtue of statutory provisions or a contract; or having the power to appoint or remove the majority of the members of the board of directors or the equivalent corporate governance body; or having the power to exercise the majority of the voting rights at the meetings of the board of directors or the equivalent corporate governance body.

To exercise power the rights claimed by the Group on the investee entity must be substantial; to be substantial these rights must be practically exercisable when decisions on the relevant activities have to be taken.

The existence and effect of potential voting rights, where substantial, are taken into account when assessing whether there is power or not to direct the financial and management policies of another entity.

There are no situations in which the Group is in a position to exercise "*de facto* control" of entities in which, even without the majority of the voting rights, the possession of rights, including non-participatory rights, is shown to allow address in a unidirectional way of the relevant activities of the investee entity.

Among the subsidiaries, there are no "structured entities" in which the voting rights do not represent decisive elements for the assessment of control, including vehicle companies (SPE / SPV) and investment funds.

As of December 31, 2017, it should be noted that the Group holds the majority of the voting rights in all the operating entities subject to consolidation on an integral basis.

It is also specified that there are no cases in which:

- control derives from the possession of potential voting rights and / or other substantial rights;
- the Group holds the majority of the voting rights and is not exposed to the variability of returns and is able to influence them.

Investment funds managed by third-party companies are considered controlled if the Group is significantly exposed to the variability of returns and at the same time has a unilateral right to remove the management company.

In this regard it is assumed, unless otherwise indicated, that exposure to the variability of returns is significant if the Group has subscribed at least 30% of the fund units.

Valuations and significant assumptions to establish the existence of joint control or significant influence

Companies subject to joint control (joint ventures) are considered entities for which, on a contractual basis, control is shared between the Group and one or more other parties, or when unanimous consent is required for decisions regarding the relevant activities of all the parties that share control.

An associated company is a company in which the investor exercises significant influence and which is neither a subsidiary in an exclusive matter not jointly controlled.

Companies subject to significant influence (associates) are considered to be entities in which the Group holds at least 20% of the voting rights (including "potential" voting rights) or in which - despite a lower proportion of voting rights - it has the power to participate in the determination of the financial and

management policies of the investee by virtue of special legal links, such as participation in trade union agreements.
Significant influence is presumed when the investor holds, directly or indirectly, at least 20% of the capital of another company, or is able, even through trade union agreements, to exercise significant influence through:

- representation in the corporate governance body;
- participation in the policy-making process, including participation in decisions regarding dividends or other distributions;
- the existence of significant transactions;
- the exchange of managerial staff;
- the provision of essential technical information.

Some interests exceeding 20% are not considered to be subject to significant influence, in which the Group holds only property rights on a portion of the investments, has no access to management policies and may exercise governance rights limited to the protection of patrimonial interests.

Changes in the consolidation area

During the financial year ended on December 31, 2017, significant changes occurred in the consolidation area. The detailed information regarding the most significant changes is presented below.

Business combinations: acquisition of the Group headed by Gruppo Zaffiro S.r.l.

As widely described in other sections of the financial statements (to which reference should be made), on November 9, 2016, Mittel, in line with the strategic objective of focusing on investment activity in risk capital from a permanent capital perspective, acquired control of Gruppo Zaffiro S.r.l., an operator active in the Italian nursing homes sector.

Gruppo Zaffiro S.r.l. and its wholly-owned direct subsidiaries, Zaffiro Fagagna S.r.l., Zaffiro Magnano S.r.l, Zaffiro Martignacco S.r.l., Zaffiro Tarcento S.r.l., Zaffiro Ancona S.r.l., Zaffiro Montesicuro S.r.l., Zaffiro San Lorenzo S.r.l. and Zaffiro Urbania S.r.l., entered into the consolidation area starting from the acquisition date of the totalitarian control of Gruppo Zaffiro S.r.l., which took place on November 9, 2016 through a company vehicle, Zorro S.r.l., 75% owned by the Mittel Group. Zorro S.r.l. was subsequently subject to a reverse merger by incorporation into Gruppo Zaffiro S.r.l. As of December 31, 2017, therefore, Mittel S.p.A. holds 75% of the capital of Gruppo Zaffiro S.r.l. Following the acquisition by the Mittel Group, the companies Zaffiro Ancona Uno S.r.l., Zaffiro Fermo S.r.l., Zaffiro Rivignano S.r.l. and Zaffiro Sviluppo S.r.l., vehicles functional to the development activity envisaged by the strategic lines, were established.

As a result of the acquisition, the economic data, as of December 31, 2017, of the Mittel Group, includes the effects of consolidation of the group subject to acquisition for the period of 14 months between the date of acquisition of control and the closing date of the financial year.

In order to be properly informed of the comparative data, please refer to the segment information provided in the management report. The data of the companies belonging to the company subject to acquisition during the financial year, in fact, constitute an operating segment pursuant to IFRS 8, Nursing Homes sector, and were the subject of separate analysis in the relevant section of the report, which therefore provides all the detailed information needed to measure the level of contribution to the data of the consolidated financial statements of the operating segment, which was absent in the previous financial year.

The acquisition of Gruppo Zaffiro S.r.l. from Zorro S.r.l. took place with a payment of EUR 22,3 million (100% equity value) with on the spot payment once the transaction was completed. In addition, a deferred payment component was envisaged, which was subsequently settled in June 2017 for EUR 5 million, an amount equivalent to the fair value estimated at the acquisition date. An additional component of potential payment, based on the level of the operating margin of the perimeter subject to acquisition during the 2018 financial year (earn-out), is envisaged. The estimate at the acquisition date of the fair value of this additional component is equal to EUR 7,4 million.

The acquisition of Gruppo Zaffiro led to the initial recognition of the goodwill of EUR 40,4 million deriving from the business combination relating to the acquisition of control, and the consequent consolidation of the companies belonging to the group.

In order to provide adequate information, we report the information on the net assets acquired (at post-adjustment accounting values deriving from the application of international accounting standards) as of the reference date, November 9, 2016, and the relative determination of the emerging goodwill in the consolidated financial statements of the Mittel Group.

Statement of financial position of Zaffiro Group as at 09 November 2016

Amounts in thousands of Euro	
Intangible assets	39
Property, plant and equipment	2.111
Sundry receivables and other assets	24
Deferred tax assets	33
Total non-current assets	**2.207**
Current tax assets	52
Sundry receivables and other assets	1.951
Cash and cash equivalents	934
Total current assets	**2.937**
Financial payables	(581)
Provisions for personnel	(1.431)
Deferred tax liabilities	(32)
Provisions for risks and charges	(201)
Sundry payables and other liabilities	(1)
Total non-current liabilities	**(2.247)**
Financial payables	(5.851)
Current tax liabilities	(40)
Sundry payables and other liabilities	(2.641)
Total current liabilities	**(8.532)**
Net assets(liabilities)	**(5.635)**
Acquisition price:	
Baseline price transferred with immediate settlement	22.323
Baseline price with deferred settlement	5.000
Potential earn-out price with deferred settlement	7.448
Fair value of the cost of the business combination as at the acquisition date	**34.771**
Goodwill from the business combination	**40.407**

It should be noted that the reference accounting values of Gruppo Zaffiro's business combination correspond to the net assets as of October 31, 2016, since the values at the date of completion of the transaction, which took place on November 9, 2016, can't be determined, also taking into account the scarse significance of the 9-day period between the date of the reference accounting values and that of the actual acquisition of control.

The cash flow directly used for the acquisition and for the related transactions is shown below:

Cash connected to business combinations:	
Amount paid in cash	(22.323)
Costs associated with the acquisition	(482)
Cash and cash equivalents acquired	934
Net liquidity used for the acquisition	**(21.871)**
Cash flows transferred to repay the Gruppo Zaffiro S.r.l. shareholder loan to the buyer	(2.500)
Deferred price regulation	(5.000)
Liquidity flows associated with the business combination	**(29.371)**

According to the IFRS 3 accounting standard, the initial accounting of a business combination requires the identification and determination of the fair value to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquisition and the cost of the combination.

For the purposes of the interim financial report of March 31, 2017, published in May 2017, the initial accounting for the combination was only provisionally determined. Since the fair value to be assigned to assets, liabilities or potential liabilities of the combination can't yet be definitively determined, it is planned to adjust these provisional values following the completion of the initial accounting of the combination, adjustment to be made on the basis of the relative reference fair value within a period of twelve months from the acquisition date.
The accounting process for the combination ended on December 31, 2017 and led, based on the IFRS and IAS 36 accounting standards, to the identification and determination of the fair value to be assigned to assets, liabilities and identifiable potential liabilities of the acquisition and the cost of the combinations, as well as the allocation to cash-generating business units (CGU) in which the business combination activity is separated.

As part of the analysis for the Purchase Price Allocation (PPA) of the aggregation transaction in question, a category of intangible assets was first identified, the brand (intended as the brand name), which was allocated to Gruppo Zaffiro as a corporate asset, or as a centrally managed asset that does not generate autonomous financial flows (unless the company has decided to dispose of such assets) and that is not attributable to any specific CGU, as it is at this level that the differential flows produced by this asset are used. The value to be allocated to this asset was quantified with a market methodology at EUR 1,1 million.

The residual portion of goodwill, amounting to EUR 39,3 million, was allocated to the 8 operating structures already included in the consolidation area at the time of acquisition. The IAS 36 international accounting standard provides, in fact, that each CGU or group of CGUs, to which the goodwill can be allocated, must represent the lower level at which the company controls the goodwill for management purposes. The minimum level coincides, in this case, with the individual structures, which coincide with different legal entities.

The allocation was made by applying the "difference in goodwill" criterion, which provides for a breakdown of goodwill based on the percentage weight of the difference between the fair value of each CGU and the corresponding carrying amount before goodwill is allocated.

The configuration of the net assets for the CGUs referring to the business combination to which the goodwill was allocated, highlights the following accounting values (at the acquisition date) of the CGUs, including the goodwill quotas. In detail, the following table summarizes:

- the fair value of each CGU (determined on the date of acquisition, based on the estimate of the respective economic value of the assets invested);
- the composition of the net assets for the CGUs referable to the business combination, before the allocation of goodwill;
- the values of the difference between the fair value of each CGU and the respective book value;
- the values of the intangible assets recorded at the acquisition date and the values of the goodwill recorded in the consolidated financial statements broken down by CGU.
-

(Amounts in thousands of Eur)	**Appraisal at acquisition date**	**Data for goodwill allocation to CGU**			
Summary of the goodwill allocation	**Fair Value (Enterprise Value) as at 31 Oct 2016 (A)**	**Net book values as at 31 Oct 2016 (B)**	**Theoretical surplus value (B-A)**	**Surplus % on total CGU**	**Goodwill allocation**
Goodwill at acquisition date					***40.407***
Allocation to brand (corporate assets)					1.100
Goodwill allocation to CGU					***39.307***
Gruppo Zaffiro (corporate costs)	***(7.688)***				
CGU - Cash Generating Unit					
Zaffiro Magnano	10.688	375	10.313	21%	8.396
Zaffiro Fagagna	9.383	83	9.299	19%	7.571
Zaffiro Martignacco	8.745	(490)	9.235	19%	7.519
Zaffiro Ancona	6.143	(86)	6.229	13%	5.071
Zaffiro Tarcento	6.098	(595)	6.692	14%	5.449
Zaffiro Montesicuro	3.270	372	2.898	6%	2.360
Zaffiro San Lorenzo	2.310	(148)	2.458	5%	2.001
Zaffiro Urbania	1.065	(90)	1.155	2%	940
Total CGU	***47.700***	***(579)***	***48.279***	***100%***	***39.307***
Total by business combination	***40.013***				***40.407***

Business combinations: acquisition of Ceramica Cielo S.p.A.

As fully described in other sections of the financial statements (to which reference should be made), on June 22, 2017, Mittel S.p.A., through the Mittel Design S.r.l. company vehicle, 100% participated, acquired an 80% stake in the company Ceramica Cielo S.p.A.
As a consequence of the acquisition, the economic data, as of December 31, 2017, of the Mittel Group includes the effects of consolidation of the group subject to acquisition for the 6-month period included between the date of acquisition of control and the closing date of the financial year.

In order to be properly informed of the comparative data, please refer to the segment information provided in the management report. The data of the company subject to acquisition during the financial year, in fact, constitutes an operating segment pursuant to IFRS 8, Design sector, and was the subject of separate analysis in the relevant section of the report, which therefore provides all the detailed information necessary to measure the level of contribution to the data of the consolidated financial statements of the operating sector, absent in the previous financial year.

The acquisition of Ceramica Cielo S.p.A. by Mittel Design S.r.l. took place for a consideration of EUR 14,6 million (equity value of 80%) with on the spot payment upon completion of the transaction.

The purchase led to the initial recognition of the goodwill of EUR 9,0 million deriving from the business combination relating to the acquisition of control, and the consequent consolidation of the company.

In order to provide adequate information, we report the information on the net assets acquired (at post-adjustment accounting values deriving from the application of international accounting standards) as of the reference date, June 22, 2017, and the relative determination of the emerging goodwill in the consolidated financial statements of the Mittel Group.

Statement of financial position of Ceramica Cielo S.p.A. as at 22 June 2017

Amounts in thousands of Euro	
Intangible assets	33
Property, plant and equipment	5.539
Sundry receivables and other assets	4
Deferred tax assets	43
Total non-current assets	**5.619**
Inventories	3.662
Current tax assets	403
Sundry receivables and other assets	8.266
Cash and cash equivalents	3.140
Total current assets	**15.471**
Financial payables	(4.723)
Provisions for personnel	(1.240)
Deferred tax liabilities	(104)
Sundry payables and other liabilities	(1)
Total non-current liabilities	**(6.068)**
Financial payables	(1.506)
Current tax liabilities	(722)
Sundry payables and other liabilities	(5.783)
Total current liabilities	**(8.011)**
Net assets(liabilities)	**7.011**
Amount pertaining to Net Assets (80%)	**5.609**
Acquisition price	14.600
Fair value of the cost of the business combination as at the acquisition date	**14.600**
Goodwill from the business combination	**8.991**

It should be noted that the reference accounting values of Ceramica Cielo's business combination correspond to the net assets as of June 30, 2017, since the values at the date of completion of the transaction, which took place on June 22, 2017, can't be determined, also taking into account the scarse significance of the 8-day period between the date of the reference accounting values and that of the actual acquisition of control.

The cash flow directly used for the acquisition and for the related transactions is shown below:

Cash connected to business combinations:	
Acquisition price	(14.600)
Costs associated with the acquisition	(365)
Cash and cash equivalents acquired	3.140
Net liquidity used for the acquisition	**(11.825)**

For the purposes of these consolidated financial statements as of December 31, 2017, the initial accounting for the combination was only provisionally determined. Since the fair value to be assigned to assets, liabilities or potential liabilities of the combination can't yet be definitively determined, it is planned to adjust these provisional values following the completion of the initial accounting of the combination, adjustment to be made on the basis of the relative reference fair value within a period of twelve months from the acquisition date.

The accounting process for the combination will be completed within 12 months from the acquisition date, based on the IFRS 3 and IAS 36 accounting principles, and will therefore be definitely presented in the half-year financial report on June 30, 2018.

Business combinations: acquisition of IMC S.p.A.

As fully described in other sections of the financial statements (to which reference should be made), on September 27, 2017, Mittel S.p.A., through the company vehicle Mittel Automotive S.r.l., 75% owned, acquired a 100% stake in Industria Metallurgica Carmagnolese - IMC S.p.A., active in the automotive components sector (cold forming on steel and aluminum elements, structural and internal components for the main automotive manufacturers). Mittel Automotive S.r.l. was subsequently subject to a reverse merger by incorporation into IMC S.p.A. The latter also owns 100% of Balder S.r.l., a smaller company operating in the same sector, which became part of the consolidation area as a result of the overall company merger.

As a result of the acquisition, the economic data, as of December 31, 2017, of the Mittel Group, includes the effects of consolidation of the group being acquired for the 3-month period included between the date of acquisition of control and the closing date of the financial year.

In order to be properly informed of the comparative data, please refer to the segment information provided in the management report. The data of the company and its subsidiary subject to acquisition during the financial year, in fact, constitutes an operating segment pursuant to IFRS 8, Automotive sector, and was the subject of separate analysis in the relevant section of the report, which therefore provides all the detailed information necessary to measure the level of contribution to the data of the consolidated financial statements of the operating sector, absent in the previous financial year.

The acquisition of IMC S.p.A. by Mittel Automotive S.r.l. took place for a provisional consideration equal to EUR 48,5 million (100% equity value), with an on the spot payment upon completion of the transaction, subsequently subject to an adjustment favorable to the purchaser for EUR 0,3 million, which therefore reduced the consideration for the acquisition to approximately EUR 48,2 million.

The purchase led to the initial recognition of goodwill of EUR 35,5 million deriving from the business combination relating to the acquisition of control, and the consequent consolidation of the company.

In order to provide adequate information, we report the information on the net assets acquired (at post-adjustment accounting values deriving from the application of international accounting standards) as of the reference date, September 27, 2017, and the relative determination of the emerging goodwill in the consolidated financial statements of the Mittel Group.

Statement of financial position of IMC S.p.A. (and its 100% subsidiary Balder S.r.l.) as at 27 September 2017

Amounts in thousands of Euro	**IMC S.p.A.**	**Balder S.r.l.**	**total**
Intangible assets	44	1	45
Property, plant and equipment	2.529	803	3.332
Deferred tax assets	7	0	7
Total non-current assets	**2.580**	**804**	**3.384**
Inventories	5.800	412	6.212
Current tax assets	3	271	274
Sundry receivables and other assets	9.244	837	10.081
Cash and cash equivalents	2.170	691	2.861
Total current assets	**17.217**	**2.211**	**19.428**
Provisions for personnel	(659)	(39)	(698)
Deferred tax liabilities	(11)	(2)	(13)
Total non-current liabilities	**(670)**	**(41)**	**(711)**
Financial payables	(1.280)	(281)	(1.561)
Sundry payables and other liabilities	(6.904)	(962)	(7.866)
Total current liabilities	**(8.184)**	**(1.243)**	**(9.427)**
Net assets(liabilities)	**10.943**	**1.731**	**12.674**
Acquisition price			48.499
Price adjustment			(330)
Fair value of the cost of the business combination as at the acquisition date			**48.169**
Goodwill from the business combination			**35.495**

The cash flow directly used for the acquisition and for the related transactions is shown below:

Cash connected to business combinations:	
Acquisition price	(48.499)
Costs associated with the acquisition	(692)
Cash and cash equivalents acquired	2.861
Net liquidity used for the acquisition	**(46.330)**
Price adjustment	330
Net liquidity used for the acquisition net of price adjustment	**(46.000)**

For the purposes of these consolidated financial statements as of December 31, 2017, the initial accounting for the combination was only provisionally determined. Since the fair value to be assigned to assets, liabilities or potential liabilities of the combination can't yet be definitively determined, it is planned to adjust these provisional values following the completion of the initial accounting of the combination, adjustment to be made on the basis of the relative reference fair value within a period of twelve months from the acquisition date.

As of December 31, 2017, despite the still provisional accounting of the combination, the process of identifying assets with fair value higher than the book value has already begun and has led to the consequent allocation of part of the goodwill recognized in the consolidated financial statements (for a total amount of EUR 35,5 million) of these activities. In particular, a substantial portion of goodwill, amounting to EUR 22,5 million (value as of September 30, 2017 and amortized for the last quarter of the financial year), was allocated to tangible assets, represented by the **"parco presse"** owned by the company, whose fair value (higher than the book value for the amount indicated above) was determined on the basis of an estimate of the replacement cost, appropriately adjusted to take into account the life cycle and the residual useful life of the actual assets subject to evaluation. The allocation required the provision of deferred taxes for EUR 6,3 million (value as of September 30, 2017, subject to partial release consistent with the amortization recorded in the last quarter of the financial year) and the consequent persistence of a residue of not allocated goodwill of EUR 19,3 million.

The accounting process for the combination will be completed within 12 months from the acquisition date, based on the IFRS 3 and IAS 36 accounting principles, and will therefore be definitively shown in the consolidated financial statements as of December 31, 2018.

Additional information on subsidiaries with significant minority shareholdings

In reference to the disclosure required by the IFRS 12 international accounting standard, aimed at illustrating the interests that minority shareholdings have in the group's assets and cash flows; it is assumed that the subsidiaries with significant minority shareholdings are represented by equity investments with minority interests with a higher relative value greater than 10%.
For each of the subsidiaries with significant minority shareholdings, the following is a summary of the economic and financial data of the subsidiary as of December 31, 2017 and information on the share of the equity investments held by minority shareholders and the percentage of the voting rights.

Subsidiaries with significant non-controlling interests: economic and financial data

Amounts in thousands of Euro

Subsidiaries:	Balder S.r.l.	Ghea S.r.l.	IMC S.p.A.	Ethica&Mittel (già Cerca S.r.l.)	Lucianita S.r.l.	Esse Ventuno S.r.l.	Santarosa S.r.l.	Earchimede S.p.A.	FD 33 S.r.l.	Fashion District Group S.r.l.	LOFT Srl	Parco Mediterraneo S.r.l.	Ceramica Cielo S.p.A.
Gross operating margin (EBITDA)	**268**	**(53)**	**1.405**	**286**	**313**	**170**	**(211)**	**102**	**(16)**	**(637)**	**(16)**	**(4.371)**	**3.057**
of which:													
Revenue	*923*	*0*	*10.114*	*1.822*	*3.079*	*106*	*6.068*	*0*	*0*	*92*	*0*	*0*	*10.494*
Variations in property inventories	*77*	*0*	*1.425*	*0*	*(2.557)*	*0*	*(5.774)*	*0*	*0*	*0*	*0*	*(4.200)*	*943*
Costs for purchases	*(397)*	*0*	*(6.712)*	*0*	*(157)*	*0*	*(150)*	*0*	*0*	*0*	*0*	*0*	*(3.460)*
Costs for services	*(145)*	*(46)*	*(1.903)*	*(513)*	*(162)*	*(5)*	*(298)*	*(151)*	*(14)*	*(235)*	*(14)*	*(48)*	*(2.746)*
Personnel costs	*(192)*	*0*	*(1.520)*	*(1.020)*	*0*	*0*	*0*	*0*	*0*	*(39)*	*(1)*	*0*	*(2.683)*
Operating result (EBIT)	**214**	**(53)**	**320**	**283**	**(783)**	**170**	**(230)**	**(893)**	**(17)**	**(745)**	**(16)**	**(4.371)**	**2.513**
of which:													
Amortisations	*(54)*	*0*	*(1.016)*	*(3)*	*0*	*0*	*0*	*0*	*(0)*	*0*	*0*	*0*	*(419)*
Allocations	*(1)*	*0*	*(54)*	*0*	*(300)*	*0*	*(19)*	*0*	*0*	*(57)*	*0*	*0*	*(114)*
Value adjustments to financial assets	*0*	*0*	*(15)*	*0*	*(796)*	*0*	*0*	*(995)*	*0*	*(52)*	*0*	*0*	*(11)*
Financial income	1	1.737	20	0	0	12	0	15	19	268	0	0	23
Financial expenses	(1)	(859)	(439)	(2)	(27)	0	(1)	(19)	0	0	(4)	(158)	(99)
Income (loss) before taxes	**214**	**825**	**(99)**	**281**	**(810)**	**182**	**(232)**	**(897)**	**3**	**(478)**	**(20)**	**(4.529)**	**2.436**
Income taxes	(26)	430	(262)	(95)	(57)	(56)	20	34	3	(20)	0	38	(741)
Profit (loss) for the year	**188**	**1.255**	**(361)**	**187**	**(867)**	**126**	**(212)**	**(864)**	**6**	**(497)**	**(20)**	**(4.491)**	**1.695**
of which Income (loss) pertaining to non-controlling interests	47	615	(90)	91	(425)	13	(85)	(129)	1	(215)	(9)	(1.819)	339
Non-current assets	**1.215**	**14.135**	**44.483**	**18**	**0**		**0**	**6.571**	**0**	**5.213**		**0**	**5.744**
of which:													
Financial receivables	0	14.135	1.500	0	0		0	0	0	3.234		0	0
Other financial assets	0	0	0	0	0		0	6.094	0	0		0	0
Current assets	**2.555**	**3.484**	**20.651**	**972**	**2.261**		**13.139**	**3.539**	**3.647**	**7.378**		**3.613**	**16.158**
of which:													
Property inventories	490	0	7.226	0	911		13.043	0	0	0		3.500	4.605
Financial receivables	0	0	330	0	0		0	0	1.545	0		0	0
Cash and cash equivalents	1.333	3.420	4.507	224	1.152		44	3.035	2.098	5.814		18	4.477
Total assets	**3.770**	**17.618**	**65.134**	**990**	**2.261**		**13.139**	**10.110**	**3.647**	**12.591**		**3.613**	**21.901**
Non-current liabilities	**1.557**	**1.940**	**34.859**	**227**	**570**		**19**	**0**	**0**	**2.605**		**0**	**5.538**
of which:													
Financial payables	1.500	0	28.185	0	270		0	0	0	0		0	4.024
Current liabilities	**1.338**	**629**	**15.841**	**409**	**517**		**12.901**	**1.590**	**8**	**174**		**6.101**	**7.702**
of which:													
Financial payables	0	0	6.012	0	432		12.788	1.545	0	0		4.748	1.533
Equity	**875**	**15.050**	**14.433**	**355**	**1.175**		**219**	**8.519**	**3.640**	**9.812**		**(2.488)**	**8.661**
of which attributable to non-controlling interests	***219***	***7.374***	***3.608***	***174***	***576***		***0***	***1.277***	***546***	***4.251***		***(1.008)***	***1.732***

Subsidiaries with significant non-controlling interests: economic and financial data

Amounts in thousands of Euro

Subsidiaries:	Gruppo Zaffiro S.r.l.	Zaffiro Ancona S.r.l.	Zaffiro Ancona Uno S.r.l.	Zaffiro Fagagna S.r.l.	Zaffiro Fermo S.r.l.	Zaffiro Magnano S.r.l.	Zaffiro Martignacco S.r.l.	Zaffiro Montesicuro S.r.l.	Zorro S.r.l.	Zaffiro Rivignano S.r.l.	Zaffiro San Lorenzo S.r.l.	Zaffiro Sviluppo S.r.l.	Zaffiro Tarcento S.r.l.	Zaffiro Urbania S.r.l.
Gross operating margin (EBITDA)	**(2.373)**	**744**	**(112)**	**442**	**(20)**	**1.620**	**1.251**	**387**	**(22)**	**(23)**	**221**	**(291)**	**643**	**(69)**
of which:														
Revenue	*365*	*3.232*	*0*	*3.837*	*0*	*4.853*	*5.932*	*3.212*	*2*	*0*	*1.832*	*0*	*5.355*	*1.113*
Variations in property inventories	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Costs for purchases	*(3)*	*(251)*	*0*	*(308)*	*0*	*(271)*	*(373)*	*(252)*	*0*	*0*	*(157)*	*(7)*	*(380)*	*(119)*
Costs for services	*(1.746)*	*(664)*	*(101)*	*(1.138)*	*(20)*	*(765)*	*(1.906)*	*(1.089)*	*(23)*	*(23)*	*(489)*	*(204)*	*(2.074)*	*(510)*
Personnel costs	*(637)*	*(1.547)*	*0*	*(1.929)*	*0*	*(2.167)*	*(2.354)*	*(1.454)*	*0*	*0*	*(961)*	*(55)*	*(2.204)*	*(579)*
Operating result (EBIT)	**(2.423)**	**655**	**(113)**	**335**	**(21)**	**1.437**	**1.134**	**149**	**(22)**	**(23)**	**179**	**(295)**	**628**	**(75)**
of which:														
Amortisations	*(45)*	*(89)*	*(1)*	*(106)*	*(1)*	*(174)*	*(117)*	*(235)*	*0*	*0*	*(24)*	*(4)*	*(9)*	*(3)*
Allocations	*(5)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(11)*	*0*	*0*	*0*
Value adjustments to financial assets	*0*	*0*	*0*	*0*	*0*	*(10)*	*0*	*(3)*	*0*	*0*	*(7)*	*0*	*(6)*	*(3)*
Financial income	72	0	0	0	0	0	0	0	27	0	0	0	0	0
Financial expenses	(659)	(23)	(5)	(20)	0	(32)	(42)	(19)	(81)	(1)	(16)	(160)	(26)	(12)
Income (loss) before taxes	**(3.011)**	**632**	**(118)**	**316**	**(21)**	**1.405**	**1.092**	**130**	**(77)**	**(24)**	**164**	**(456)**	**602**	**(87)**
Income taxes	453	(139)	27	(96)	5	(339)	(317)	(42)	0	5	(55)	52	(182)	15
Profit (loss) for the year	**(2.558)**	**493**	**(91)**	**219**	**(17)**	**1.066**	**775**	**88**	**(77)**	**(19)**	**109**	**(403)**	**419**	**(72)**
of which Income (loss) pertaining to non-controlling interests	(640)	123	(23)	55	(4)	267	194	22	(19)	(5)	27	(101)	105	(18)
Non-current assets	**40.582**	**182**	**21**	**488**	**1**	**514**	**298**	**151**		**1**	**135**	**8.443**	**100**	**28**
of which:														
Financial receivables	0	0	0	0	0	0	0	0		0	0	0	0	0
Other financial assets	0	0	0	0	0	0	0	0		0	0	0	0	0
Current assets	**207**	**1.881**	**120**	**996**	**33**	**2.389**	**3.294**	**1.366**		**732**	**981**	**113**	**2.205**	**434**
of which:														
Property inventories	0	5	0	5	0	6	6	5		0	2	0	6	2
Financial receivables	0	1.398	0	958	15	2.065	3.032	923		11	774	0	1.815	191
Cash and cash equivalents	60	244	2	19	1	32	35	71		697	19	47	36	48
Total assets	**40.789**	**2.063**	**141**	**1.484**	**34**	**2.902**	**3.592**	**1.517**		**733**	**1.116**	**8.556**	**2.305**	**462**
Non-current liabilities	**11.075**	**425**	**0**	**516**	**0**	**482**	**1.020**	**350**		**700**	**465**	**5.961**	**834**	**308**
of which:														
Financial payables	10.952	300	0	333	0	433	558	325		700	224	5.959	333	200
Current liabilities	**18.614**	**534**	**221**	**505**	**1**	**749**	**648**	**402**		**2**	**272**	**2.898**	**662**	**171**
of which:														
Financial payables	18.144	75	156	64	0	139	40	38		0	38	2.741	114	0
Equity	**11.101**	**1.104**	**(81)**	**464**	**33**	**1.671**	**1.925**	**765**		**31**	**378**	**(303)**	**809**	**(18)**
of which attributable to non-controlling interests	***2.775***	***276***	***(20)***	***116***	***8***	***418***	***481***	***191***		***8***	***94***	***(76)***	***202***	***(5)***

Non-controlling interests, availability of non-controlling interests votes and dividends distributed to non-controlling interests

		Interests in capital of non-controlling interests	Availability of votes of non-controlling interests % (1)	Income (loss) pertaining to non-controlling interests	Equity pertaining to non-controlling interests	Dividends distributed to non-controlling interests
1	Ghea S.r.l.	49,00%	49,00%	614.816	7.374.182	-
2	Lucianita S.r.l.	49,00%	49,00%	(424.839)	575.704	-
3	Esse Ventuno S.r.l. in liquidation	10,00%	10,00%	12.622	-	-
4	Santarosa S.r.l.	40,00%	40,00%	(84.996)	-	-
5	Earchimede S.p.A.	14,99%	14,99%	(129.448)	1.277.117	2.701.048
6	FD 33 S.r.l.	14,99%	0,00%	943	545.591	-
7	Fashion District Group S.r.l. (in liquidation)	43,33%	33,34%	(215.250)	4.251.382	2.000.000
8	Loft Srl	43,33%	0,00%	(8.696)	-	-
9	Parco Mediterraneo S.r.l.	40,50%	0,00%	(1.818.855)	(1.007.595)	-
10	Ethica&Mittel Debt Avisory S.r.l. (già Cerca S.r.l.)	49,00%	49,00%	91.493	173.624	-
11	Balder S.r.l.	25,00%	0,00%	47.017	218.629	-
12	IMC - Industria Metallurgica Carmagnolese S.p.A.	25,00%	25,00%	(90.309)	3.608.339	-
13	Ceramica Cielo S.p.A.	20,00%	20,00%	339.021	1.732.182	-
14	Zorro S.r.l.	25,00%	25,00%	(19.146)	-	-
15	Gruppo Zaffiro S.r.l.	25,00%	25,00%	(639.500)	2.775.155	-
16	Zaffiro Ancona S.r.l.	25,00%	0,00%	123.233	275.938	-
17	Zaffiro Ancona Uno S.r.l.	25,00%	0,00%	(22.628)	(20.128)	-
18	Zaffiro Fagagna S.r.l.	25,00%	0,00%	54.890	115.948	-
19	Zaffiro Fermo S.r.l.	25,00%	0,00%	(4.292)	8.208	-
20	Zaffiro Magnano S.r.l.	25,00%	0,00%	266.529	417.559	-
21	Zaffiro Martignacco S.r.l.	25,00%	0,00%	193.553	481.240	-
22	Zaffiro Montesicuro S.r.l.	25,00%	0,00%	21.874	191.177	-
23	Zaffiro Rivignano S.r.l.	25,00%	0,00%	(4.709)	7.791	-
24	Zaffiro San Lorenzo S.r.l.	25,00%	0,00%	27.287	94.464	-
25	Zaffiro Sviluppo S.r.l.	25,00%	0,00%	(100.795)	(75.823)	-
26	Zaffiro Tarcento S.r.l.	25,00%	0,00%	104.797	202.255	-
27	Zaffiro Urbania S.r.l.	25,00%	0,00%	(18.165)	(4.540)	-
				(1.683.553)	**23.218.399**	**4.701.048**

(1): Availability of voting rights at ordinary shareholders' meetings

In reference to these significant minority interests in subsidiaries, it should be noted that there are no particular protection rights for minority shareholders that could significantly limit the Group’s ability to sell assets and settle liabilities.

The illustration of the criteria and methods for determining the consolidation area and the reasons for which an investee is subject to joint control or significant influence, is contained in the Accounting Principles and Policies section, to which reference should be made.

The consolidated financial statements are prepared on the basis of the accounting statements as of December 31, 2017, prepared by the respective consolidated companies, adjusted, where necessary, in order to align them with the classification criteria and the Group accounting standards, compliant with the IFRS and adopted by the Mittel Group.

4. Intangible assets

Intangible assets amount to EUR 68,9 million, they underwent a significant increase compared to the previous financial year when their amount was negligible (EUR 41 thousand). The increase is attributable to the effect of the three business combination transactions performed by the Group during the financial year.

The details are as follow:

	Goodwill	Brands	Plant	Concessions and licences	Other	Total
Values as at 01.10.2016	**-**		**-**	**13.450**	**27.958**	**41.408**
Changes in the year:						
- acquisitions				1.301	125.281	**126.582**
- increase for business combinations	67.555.333	1.120.694	1.366	96.327	2.869	**68.776.589**
- disposals						**-**
- reclassifications						**-**
- amortisation			(261)	(33.025)	(49.374)	**(82.660)**
- value adjustments						
Total changes	**67.555.333**	**1.120.694**	**1.105**	**64.603**	**78.776**	**68.820.511**
Values as at 31.12.2017	**67.555.333**	**1.120.694**	**1.105**	**78.053**	**106.734**	**68.861.919**

In particular, the increase in this item is mainly due to the goodwill recorded on the newly acquired companies, totaling EUR 67.6 million, the amount is already net of the allocations (final or provisional) made between the acquisition dates and the reference date of these consolidated financial statements.

The goodwill as of December 31, 2017 refers to:

- for EUR 39,3 million to Gruppo Zaffiro (and subsidiaries);
- for EUR 19,3 million to IMC (and to subsidiary Balder);
- for EUR 9,0 million to Ceramica Cielo.

The item "brands" mainly refers to the allocation of part of the temporary goodwill recognized at the time of the acquisition of the Zaffiro Group to the company's brand (EUR 1,1 million).

More specifically, the acquisition of Gruppo Zaffiro led, on the date of acquisition (November 9, 2016), to a provisional recognition of a total goodwill of EUR 40,4 million.

Amounts in thousands of Euro

Zaffiro Group - Net assets(liabilities)	**(5.635)**
Acquisition price:	
Baseline price transferred with immediate settlement	22.323
Baseline price with deferred settlement	5.000
Potential earn-out price with deferred settlement	7.448
Fair value of the cost of the business combination as at the acquisition date	**34.771**
Goodwill from the business combination	**40.407**

As of December 31, 2017, this amount was definitively allocated for EUR 1,1 million to the brand (Gruppo Zaffiro S.r.l.’s corporate assets that cannot be allocated to individual cash-generating units) and for the residual portion to the identified cash-generating units represented by 8 subsidiaries of Gruppo Zaffiro S.r.l. which were linked to the 8 existing structures at the time of acquisition.

(Amounts in thousands of Eur)	Appraisal at acquisition date	Data for goodwill allocation to CGU			
Summary of the goodwill allocation	**Fair Value (Enterprise Value) as at 31 Oct 2016 (A)**	**Net book values as at 31 Oct 2016 (B)**	**Theoretical surplus value (B-A)**	**Surplus % on total CGU**	**Goodwill allocation**
Goodwill at acquisition date					***40.407***
Allocation to brand (corporate assets)					1.100
Goodwill allocation to CGU					***39.307***
Gruppo Zaffiro (corporate costs)	***(7.688)***				
CGU - Cash Generating Unit					
Zaffiro Magnano	10.688	375	10.313	21%	8.396
Zaffiro Fagagna	9.383	83	9.299	19%	7.571
Zaffiro Martignacco	8.745	(490)	9.235	19%	7.519
Zaffiro Ancona	6.143	(86)	6.229	13%	5.071
Zaffiro Tarcento	6.098	(595)	6.692	14%	5.449
Zaffiro Montesicuro	3.270	372	2.898	6%	2.360
Zaffiro San Lorenzo	2.310	(148)	2.458	5%	2.001
Zaffiro Urbania	1.065	(90)	1.155	2%	940
Total CGU	***47.700***	***(579)***	***48.279***	***100%***	***39.307***
Total by business combination	***40.013***				***40.407***

The Ceramica Cielo purchase transaction entailed, on the acquisition date (June 22, 2017), the provisional recognition of goodwill of EUR 9,0 million. This amount is provisionally determined as of December 31, 2017, since the allocation process of the consideration paid to the assets and liabilities subject to the business combination, has not yet been completed.

Amounts in thousands of Euro	
Ceramica Cielo - Amount pertaining to Net Assets (80%)	**5.609**
Acquisition price	14.600
Fair value of the cost of the business combination as at the acquisition date	**14.600**
Goodwill from the business combination	**8.991**

The acquisition of IMC (and its subsidiary Balder) led to the provisional recognition of goodwill of EUR 35,5 million as of the acquisition date (September 27, 2017).

Amounts in thousands of Euro	
IMC and Balder - Net assets(liabilities)	**12.674**
Acquisition price	48.499
Price adjustment	(330)
Fair value of the cost of the business combination as at the acquisition date	**48.169**
Goodwill from the business combination	**35.495**

As of December 31, 2017, a substantial portion of goodwill, amounting to EUR 22,5 million (value as of September 30, 2017 and subject to amortization for the last quarter of the year), was allocated to tangible assets, represented by **"parco presse"** owned by the company, whose fair value (higher than the book value for the amount indicated above) was determined on the basis of an estimate on the replacement cost with a new one, appropriately adjusted to take into account the life cycle and the residual useful life of the actual assets being assessed.
The allocation required the provision of deferred taxes for EUR 6,3 million (value as of September 30, 2017, object of partial release consistent with the amortization recorded in the last quarter of the year) and the consequent persistence of a residue of non allocated goodwill of EUR 19,3 million.

Amounts in thousands of Euro	
Provisional allocation goodwill IMC	
Goodwill before allocation	**35.495**
Surplus value allocated to presses tangible assets	(22.520)
Deffered taxes on surplus value allocated to tangible assets	6.283
Goodwill as at 31 December 2017 after provisional allocation	**19.258**

The initial accounting for the aggregation was only temporarily determined since the fair value to be assigned to assets, liabilities or potential liabilities of the combination cannot yet be definitively determined, it is planned to adjust these provisional values following the completion of the initial accounting of the combination, this adjustment is intended on the basis of the relative reference fair value within a period of twelve months from the acquisition date.

Impairment test of the goodwill (Gruppo Zaffiro)

As of December 31, 2017, once the process of allocating goodwill to the company assets / liabilities and the Cash Generating Units (CGU) resulting from the business combination was completed, the goodwill recognized by the purchase of the Gruppo Zaffiro was tested for annual impairment.
The impairment test of the goodwill was carried out in order to assess the retention of its carrying value as of December 31, 2017, and is aimed at ascertaining that the value economically recoverable on the basis of the value in use of the enterprise (Enterprise Value - " EV “) of the individual CGU identified in the Group of companies belonging to the Gruppo Zaffiro, could be higher than the value of the goodwill allocated to CGU, for a total value of EUR 39,3 million.
Please note that the IAS 36 international accounting standard states that each CGU or group of CGU to which the goodwill can be allocated must represent the lower level at which the company controls the goodwill for management purposes. This minimum level coincides, in this specific case, with the 8 structures included in the perimeter of the Gruppo Zaffiro at the time of acquisition, coinciding with different legal entities.

The "recoverable value" is defined by the accounting standard as the greater of:

- the fair value of the asset minus sales costs (fair value less costs to sell);
- the value in use (value in use).

The assessment of the Economic Value of the activities that make up the CGU identified in the Group ("Value of Use of the CGU”), is determined by a "financial method" (Discounted Cash Flow method) which estimates the present value of future cash flows which are expected to be generated by the CGU.
According to this financial method, the fundamental value of the business activity is estimated on the basis of an asset-side approach, which is based on the estimate of the value of the operating asset (so-called Enterprise Value core or EV core), obtained as the current value of the expected future (net tax) unlevered cash flows (Unlevered Free Cash Flows - UFCF).
In particular, according to this methodology, in the asset-side perspective, the Operating Value of the business activity is represented by the value of the characteristic or operating assets, given by the sum of the current value of the cash flows produced by management in an explicit projection period and the current value of the company's operating activities at the end of this period (Terminal Value).

For the purpose of calculating the Operational Value, it was therefore necessary to estimate the following components.

Operating cash flows for the specific projection period

The cash flows identified in the method in question are of operational nature, they are intended for the payment and the eventual reimbursement of all the capital providers both of risk and of debt.
The estimate of expected flows is determined on the basis of projections formalized in the medium / long-term economic and financial plans of the individual CGU, approved by the administrative entities of the companies to which they belong to and by the administrative body of Gruppo Zaffiro S.r.l..
For the purpose of calculating the use value of the CGU adopted, the period 2018-2023, corresponding to the economic-financial projections reported in the Plan, was taken as a specific time frame to determine the flows per CGU.

Terminal Value or residual value (“TV”)

The value at the end of the analytical period of flows (the so-called "Terminal Value") was prudentially determined, without considering any growth factor "g" of the outgoing cash flow of the analytical projection period.

Flows discount rate

To determine the value in use, the financial flows were discounted at a rate that reflected the current market valuations, the time value of money and the specific risks of the asset, while adequately considering the long-term perspective of the flows used to estimate the Value in Use of the CGU.
The cost of capital is determined net of taxes, for consistency with the cash flows discounted.
The same cost of capital was identified for all CGUs, consistent with the circumstance and on the basis of which the 8 health and welfare residences have a similar business model and are exposed to the same risk profiles.
For the purpose of discounting operating cash flows, we applied a representative rate of the cost of all financial resources used by the company, represented by the weighted average cost of capital (*Weighted Average Cost of Capital*, “WACC*”*).

The parameters considered to estimate the WACC are shown below.

- Cost of equity - Ke: overall the identified risk capital (Ke) amounted to 11,7%, based on the use of the following parameters:

  - The risk-free rate was determined in reference to the Italian Treasury government securities 10 years from the reference date. The rate of return on risk-free investments was estimated on the basis of the average effective gross yield of medium to long-term Italian government bonds (10-year BTP) recorded at the date of the audit and amounted to 1,9% .
  - The unlevered beta - β: also known as “beta asset” or “asset beta”, indicates the interrelation factor between the effective return of an action and the overall return on the reference market; it measures the volatility of the stock as compared to the market.
    The Beta coefficient is a measure of the correlation between the company’s operating cash flows and those expected from the market in the hypothesis that the company is free of financial risk, and is calculated as an average of the unlevered beta of comparable companies. Since the Company is not listed and it was not possible to construct a sufficiently large sample of companies listed in Italy from which the Beta factor can be reliably determined, reference was made to the result of an analysis conducted on the average of the unlevered Beta by a panel of comparable companies in the European Healthcare Support Services sector, it was equal to **0,63%**.
    This coefficient was recalculated assuming a financial structure characteristic of the sector in which the Company operates, for which an average sector Gearing was determined (ratio between debt capital - D and the sum of equity capital - E and capital of debt - D + E of 40%), for which it was calculated and deemed reasonable to assume a determined beta-relevered of **0,93%**, which was considered for the determination of the Capital Ke Cost applied uniformly for each CGU.
  - A market risk premium was used, estimated at 5,1% for the Italian market.
  - From a prudential perspective, a specific 5% overall risk premium / discount was envisaged, which basically qualifies as: (i) additional premium (Small cap size premium) on the cost of equity, in order to reflect the smaller size of the CGUs compared to the panel of comparable companies; this additional risk factor is connected to the fact that the activity of Gruppo Zaffiro has a limited size and range of activities; (ii) a further specific risk factor determined by the intrinsic risk of the business sector and the reference market related to the limited liquidity and marketability of the investment (“Lack of Marketability discount”), which is applied to take into account the lower value of equity investments provisionally or relatively without negotiability.

- Cost of debt – K*d*: an analysis of the cost of non-current indebtedness was carried out and a cost of long-term sustainable debt equal to **3,50%** was recognized.
- Tax rate – *t*: a corporate income tax rate (IRES) of **24,00%** is applied.
  By applying a tax rate of **24,00%** the cost of debt, net of tax consequences, is equal to about 2,66%.

- Indebtedness ratio – *D / (E + D):* in regards to leverage (i.e. the ratio between net financial indebtedness - D and total sources of financing D + E - Equity) on the basis of the financial structure at the benchmark date of the valuation, an average market leverage level was assumed. For the purposes of estimating a sustainable medium / long-term debt ratio (D / E), it is considered reasonable to assume a value equal to (?), which corresponds to a financial structure coefficient D / (D + E) of **40,00%.**

The *WACC* discount rate adopted for the valuation in question therefore amounts to **8,0%.**

Impairment test results

The result of the impairment analysis carried out, in reference to the overall EV for the CGUs, compared to the corresponding value of the invested capital employed by the CGUs, is shown in the following summary table of the results of the assessments made.

(Amounts in thousands of Eur)	**Carrying Amount 31.12.2017**			**Impairment test 31.12.2017**	
Impairment test CGU	**Invested capital (A)**	**Goodwill allocation CGU (B)**	**Book value CGU A+B=C**	**Recoverable value (EV) 31.12.2017 (D)**	**Surplus (+)/ Impairment loss (-) D-C**
Zaffiro Magnano	156	8.396	8.552	12.648	4.097
Zaffiro Fagagna	(107)	7.571	7.464	9.419	1.955
Zaffiro Martignacco	(534)	7.519	6.986	11.041	4.055
Zaffiro Ancona	(163)	5.071	4.908	5.975	1.067
Zaffiro Tarcento	(583)	5.449	4.866	11.369	6.503
Zaffiro Montesicuro	141	2.360	2.501	4.390	1.889
Zaffiro San Lorenzo	(149)	2.001	1.852	3.024	1.171
Zaffiro Urbania	(174)	940	766	3.704	2.938
Total CGU	***(1.412)***	***39.307***	***37.895***	***61.570***	***23.675***

The results achieved by the impairment test show a total gain of EUR 23,7 million compared to the carrying amounts of the CGUs (EUR 37,9 million), including the allocated goodwill (EUR 39,3 million). The recoverable values resulting from the impairment test carried out are much higher for each of the individual CGUs involved in the business combination.

2nd level impairment test

In order to verify the recoverability as a whole of the goodwill recorded on the overall entity subject to business combination, it was necessary to perform a second level impairment test. This test requires the identification of all the corporate assets that were not allocated to the CGUs and that constitute core economic activities, making a comparison between the book value and the recoverable amount of the aggregated entity considered in its entirety, taking into due consideration all the corporate costs which in turn can't be allocated to the individual CGUs.

In order to be considered in the recoverable value of the structural costs (operating expenses and personnel of Gruppo Zaffiro sub-holding company), these were incorporated into an expected cash flow plan determined at the level of the original scope of the group subject to business combination, within the same time frame and with the same parameters described for the on the individual CGUs.

The result of the second-level impairment analysis carried out in reference to the overall EBIT (EV) of Gruppo Zaffiro (scope of the business combination) compared to the corresponding value of the invested capital in the same area, including the goodwill allocated to the CGUs (EUR 39,3 million) and the portion of goodwill (equal to EUR 1,1 million) remained allocated at the corporate asset level, is shown in the following summary table of the results of the assessments made.

(Amounts in thousands of Eur)	Carrying Amount 31.12.2017			Impairment test 31.12.2017	
2nd level impairment test	Invested capital (A)	Goodwill (B)	Book value A+B=C	Recoverable value (EV) 31.12.2017 (D)	Surplus (+)/ Impairment loss (-) D-C
Total CGU	(1.412)	39.307	37.895	61.570	23.675
Gruppo Zaffiro	(332)	1.100	768	(11.574)	(12.342)
Total segment	***(1.744)***	***40.407***	***38.663***	***49.996***	***11.333***

The total recoverable value is equal to approximately EUR 50,0 million, an amount higher by EUR 11,3 million compared to the book value, including goodwill, of the business area covered by the business combination (EUR 38,7 million).

The results of the impairment test show that, as of December 31, 2017, the Use Values of each of the CGUs with allocated goodwill are higher than the respective carrying amounts, similar to the Use Value of the overall scope of the acquisition transaction. It was therefore not necessary to carry out any devaluation of intangible assets with an indefinite life.

Sensitivity analysis

Since the Use Value is determined through the use of estimates and assumptions that may present elements of uncertainty, sensitivity analysis were carried out, as required by the IAS / IFRS principles, aimed at verifying the sensitivity of the results obtained following the variation of certain basic parameters and hypothesis.

In particular, the impact on the Use Value of a variation of up to 200 bps was verified as an increase and decrease of the discounting rate (no sensitivity analysis was carried out on the growth rate g since, as previously described, from a prudential standpoint, no expected growth factor was incorporated for the purpose of estimating the Terminal Value). In the scenario analyzed, for the purposes of sensitivity, recoverable values would be about 20% lower than those determined for the purposes of the impairment test. Even in this pessimistic scenario, however, no cases of impairment would emerge, either for the CGUs, or in reference to the perimeter of the aggregation as a whole.

(Amounts in thousands of Eur)	Impairment test 31.12.2017	Sensitivity		
Impairment test CGU	Recoverable value (EV) 31.12.2017 (D)	Recoverable value wacc +2%	Difference	Difference %
Zaffiro Magnano	12.648	10.331	(2.317)	-18%
Zaffiro Fagagna	9.419	7.621	(1.798)	-19%
Zaffiro Martignacco	11.041	8.809	(2.231)	-20%
Zaffiro Ancona	5.975	4.896	(1.080)	-18%
Zaffiro Tarcento	11.369	9.016	(2.352)	-21%
Zaffiro Montesicuro	4.390	3.540	(849)	-19%
Zaffiro San Lorenzo	3.024	2.430	(593)	-20%
Zaffiro Urbania	3.704	2.931	(773)	-21%
Total CGU	***61.570***	***49.575***	***(11.994)***	***-19%***

(Amounts in thousands of Eur)	Impairment test 31.12.2017	Sensitivity		
2nd level impairment test	Recoverable value (EV) 31.12.2017 (D)	Recoverable value wacc +2%	Difference	Difference %
Total CGU	61.570	49.575	(11.994)	-19%
Gruppo Zaffiro	(11.574)	(10.827)	748	-6%
Total RSA segment	***49.996***	***38.749***	***(11.247)***	***-22%***

5. Property, plant and equipment

They amount to EUR 43,9 million and are increased by EUR 40,1 million compared to September 30, 2016, due to the contributions of the companies subject to first consolidation during the financial year. Details of the item are as follows:

	Land and buildings	Investment property	Plant and machinery	Office machines and equipment	Other assets	Total
Value as at 01.10.2016	**3.371.116**		**831**	**263.242**	**128.901**	**3.764.090**
Changes in the year:						
- acquisitions	8.093.328		358.289	394.245	339.654	**9.185.516**
- increase for business combinations	3.359.428		27.629.756	780.111	1.727.134	**33.496.429**
- disposals				(3.057)	(19.446)	**(22.503)**
- reclassifications						**-**
- amortisation	(220.403)		(1.298.500)	(292.998)	(696.751)	**(2.508.652)**
- other changes						
Total changes	**11.232.353**	**-**	**26.689.545**	**878.301**	**1.350.591**	**40.150.790**
Values as at 31.12.2017	**14.603.469**		**26.690.376**	**1.141.543**	**1.479.492**	**43.914.880**

The item Plant and machinery is largely explained by the described partial allocation of goodwill recognized at the time of the acquisition of IMC S.p.A., for details of which reference should be made to the description in the previous note.
Furthermore, the Nursing Home in Rivignano, between land and buildings, acquired under a finance lease in April 2017, is worth around EUR 8 million.

6. Investments accounted for using the equity method

They amount to EUR 55,9 million and are decreased by EUR 32,2 million.

	31.12.2017	30.09.2016
Tower 6 bis S.a.r.l.	-	28.101.131
Mittel Generale Investimenti S.r.l.	5.400.000	5.400.000
Bios S.p.A.	49.972.031	50.749.060
Castello SGR S.p.A.	-	3.332.294
Mit.Fin S.p.A.	89.840	93.997
Superpartes S.p.A.	477.138	457.008
	55.939.009	**88.133.490**

Details of the item are as follows:

Name	% interest	Opening balances 1.10.2016	Purchase	Sales	Profit (loss) pro rata (*)	Closing balances 31.12.2017
Direct associates						
Mittel Generale Investimenti S.r.l.	27,00%	5.400.000	-	-	-	5.400.000
Tower 6 bis S.a.r.l.	49,00%	28.101.131	-	(28.101.131)		-
Castello SGR S.p.A.	23,17%	3.332.294	-	(3.332.294)		-
Bios S.p.A.	50,00%	50.749.060	-	-	(777.029)	49.972.031
Mit.Fin Compagnia Finanziara S.p.A.	30,00%	93.997	-	-	(4.157)	89.840
Over Earchimede S.p.A.						
Superpartes S.p.A.	11,89%	457.009	-	-	20.130	477.139
		88.133.490	**-**	**(31.433.425)**	**(761.056)**	**55.939.009**

* The balance in the column differs significantly from the corresponding income statement item, taking into account: (i) the presence of income components deriving directly from equity (valuation reserve), not shown in the following table since they were incorporated in the opening value of the investments; (ii) the fact that the table does not include the contribution to the income statement of the divested investments for the financial year, for which only the zeroing of the carrying amount as of September 30 is highlighted.

The main changes occurred during the financial year include those connected to:

- the sale of the associated company Castello SGR, which took place during the financial year, with the consequent zeroing of the EUR 3,3 million value present as of September 30, 2016; the contribution to the income statement of the investee company was positive for a total of EUR 3,5 million, attributable for EUR 0,2 million to the result of the consolidation period (before the sale) and for EUR 3,3 million to the profit recorded from the sale, on the basis of the EUR 6,7 million price received;
- the liquidation of Tower 6 bis S.a.r.l., which took place at the end of the financial year, following the full sale of Livanova securities during the financial year, by the investee company, and the related distributions made to shareholders; the zeroing of the investment, which as of September 30, 2016 amounted to EUR 50,7 million, resulted in the reversal to the income statement of the positive valuation reserve of EUR 13,7 million of the beginning of the year; due to the combined effect of this reversal and the additional income components accrued during the financial year, the overall contribution of the investment to the consolidated income statement was positive for EUR 13,3 million;
- the full sale of Livanova securities by the investee company, which involved the complete reversal of the positive valuation reserve existing in the previous year on the investment held in Bios S.p.A., equal to EUR 29,5 million; this effect, combined with the additional income components accrued during the year by the investee company, resulted in a positive contribution to the consolidated income statement for EUR 28,8 million.

Disclosure of jointly controlled and associated shareholdings

The reconciliation between the summary of the economic and financial data presented and the carrying amount of jointly controlled and associated shareholdings is shown in the following detail:

(Amounts in thousands of Euro)	Total Equity	Pro rata equity	Goodwill	Other changes	Book value
Jointly controlled companies:					
Bios S.p.A.	99.944	49.972	-	-	**49.972**
	99.944	**49.972**	**-**	**-**	**49.972**
Companies subject to significant influence:					
Mittel Generale Investimenti S.r.l	22.551	6.089	-	(689)	**5.400**
Mit.Fin Compagnia Finanziara S.p.A.	299	90	-	-	**90**
Superpartes S.p.A.	949	113	364	-	**477**
	26.125	**6.919**	**364**	**(1.317)**	**5.967**
	126.069	**56.891**	**364**	**(1.317)**	**55.939**

Companies subject to joint control

As of December 31, 2017, the only company subject to joint control (joint ventures) was Bios S.p.A., an entity for which, on a statutory basis, control is shared between Mittel S.p.A. and Tower 6 S.a.r.l., in consideration of the fact that for the decisions concerning the relevant activities, the unanimous consent of both parties that share control is required.
Bios S.p.A. presents a share capital of EUR 3.000.000, divided into 1.500.000 ordinary shares and 681.818 class B shares without voting rights. Mittel S.p.A. possesses 750.000 ordinary shares.
The economic and equity data deriving from the financial statements as of December 31, 2017 of Bios S.p.A., revised to reflect the adjustments made in compliance with the IAS / IFRS principles for the application of the equity method for the purposes of Group consolidation, and the reconciliation between the summary of the economic-financial data presented and the carrying amount of the jointly controlled investments is shown in the following detail:

Jointly controlled companies (thousands of Euro)	Bios S.p.A.
Non-current assets	**-**
Available-for-sale financial assets – Equity investments	-
Current assets	**121.671**
Cash and cash equivalents	*121.670*
Total Assets	**121.671**
Equity	**99.944**
Non-current liabilities	**329**
Current liabilities	**21.398**
	121.671
Gross operating margin	**(848)**
Costs for services	(651)
Operating result	**(898)**
Amortization/depreciation	(4)
Financial income	62.002
Financial expense	(3.674)
Income (loss) before taxes	**57.430**
Income taxes	-
Profit/(Loss) for the period (1)	**57.430**
Other profit/(loss) components after taxes (2)	(58.984)
Comprehensive profit (loss) (3) = (1) + (2)	**(1.554)**
% Interest	50%
Pro-rata comprehensive profit (loss)	**(777)**

In terms of significant restrictions on the capacity of Bios S.p.A. to transfer funds to the participating entity, it should be noted that the financing agreements previously in place with the lenders provided for the possibility of distributing dividends subject to the sale of the stake held in Livanova Plc and limited to the resources available after the fulfillment of the obligations with reimbursement priority based on contractual agreements. The creditors held Livanova shares as collateral to guarantee outstanding loans. These loans were completely payed off and therefore the pre-existing restrictions disappeared.

Furthermore, under statutory terms, Ghea S.r.l., currently the sole holder of class B shares in Bios, has the right to participate, as a matter of priority, with respect to ordinary shares, in the distribution of profits, as well as any reserve decided by the Shareholders' Meeting, for EUR 17,0 million, with the addition of the increase by 4,875% of a yield capitalized on an annual basis starting from December 22, 2013. In the consolidated financial statements of the Mittel Group, the class B shares held by Ghea S.r.l. (fully consolidated by Mittel S.p.A.) in Bios S.p.A., are consequently displayed as financial receivables for a counter-value of EUR 20,6 million. Accordingly, in the IAS / IFRS situation of Bios subject to consolidation, these shares are represented as financial debt, for the same amount.

Furthermore, in reference to the risks associated with events or circumstances that could theoretically expose the Group to a loss, in relation to jointly controlled equity investments, it should be noted that Bios S.p.A. is currently involved in a dispute concerning the Snia S.p.A. case (under extraordinary administration), described in detail in the previous paragraph: "Main outstanding cases".

Associated companies

The income statement and balance sheet data from the accounting statements, as of December 31, 2017, of the associated companies, revised to reflect adjustments made in accordance with the IAS / IFRS principles, for the application of the equity method for the purpose of forming the Group consolidation and the reconciliation between the summary of the economic-financial data presented and the carrying amount of the associated investments, is shown in the following detail:

Companies subject to significant influence	Mit.Fin Compagnia Finanziaria S.p.A.	Superpartes S.p.A.	Mittel Generale Investimenti S.r.l.
(thousands of Euro)			
Non-current assets	**9**	**505**	**46.029**
Financial receivables	-	-	43.371
Other financial assets	-	479	-
Current assets	**614**	**744**	**3.262**
Cash and cash equivalents	511	515	2.230
Total assets	**623**	**1.249**	**49.290**
Equity	**299**	**949**	**22.551**
Non-current liabilities	**20**	**117**	**25.978**
Non-current financial payables	-	-	24.366
Current liabilities	**303**	**183**	**761**
Current financial payables	-	-	-
Total equity and liabilities	**623**	**1.249**	**49.290**
Gross operating margin	**31**	**(321)**	**(1.215)**
Costs for services	(486)	(261)	(805)
Operating result	**30**	**(334)**	**(814)**
Amortizations	(2)	-	(49)
Impairment on financial assets	-	-	(1.653)
Financial income	-	443	3.329
Financial expenses	-	(37)	(1.558)
Profit (loss) from trading of financial assets	-	-	-
Income (loss) before taxes	**30**	**72**	**(1.368)**
Income taxes	(13)	-	(368)
Profit (loss) for the year (1)	**17**	**72**	**(1.736)**
Other income net of taxes (2)	-	-	-
Total profit(loss) (3) = (1) + (2)	**17**	**72**	**(1.736)**

There are no significant restrictions on the ability of the subsidiaries subject to significant influence to transfer funds to the investee entity, nor particularly significant commitments referring to companies subject to significant influence.

It should be noted that, at present, there are no commitments deriving from contractual agreements, particular events or circumstances that could require the Mittel S.p.A. parent company and its subsidiaries to provide financial support to associated companies or non-consolidated structured entities that could result in future outflows of cash flows and bonds from unconditional purchase commitments or unrecognized commitments to provide financing or to provide other types of financial support, including intention to assist investee entities in obtaining financial support.

7. Financial receivables

They amount to EUR 81,8 million and are decreased by EUR 18,4 million.

	31.12.2017	30.09.2016
Loans	81.575.748	99.900.992
Other receivables	200.000	275.393
Security deposits		
	81.775.748	**100.176.385**

The Loans item is as follows:

	31.12.2017	30.09.2016
- Loans - financial institutions	10.000.000	10.000.000
- Loans - customers	71.575.748	89.900.992
	81.575.748	**99.900.992**

The “Loans” item mainly includes:
- for EUR 49,8 million, outstanding loans of the Mittel S.p.A. parent company;
- for EUR 20,6 million, the Ghea receivable owed to Bios S.p.A.;
- for EUR 10,0 million, the receivable claimed by Mittel S.p.A. towards Fondo Augusto;
- for EUR 1,3 million, a receivable claimed by Locaeffe S.r.l. in liquidation.

The item “other receivables” consists of a receivable claimed by Markfactor S.r.l. in liquidation, subject to impairment during the current financial year.

8. Other financial assets

They amount to EUR 25,3 million and are decreased by EUR 12,5 million.

The item is made up as follows:

	31.12.2017	30.09.2016
Available-for-sale financial assets		
Equities and fund units	25.278.533	37.731.003
Bonds	-	50.772
Derivative financial instruments	-	-
Financial assets at fair value	-	-
	25.278.533	**37.781.775**

Financial assets available for sale

The item includes instruments representing the shareholders’ equity of companies registered as financial assets available for sale and financial assets valued at fair value and is composed as follows:

	31.12.2017	30.09.2016
Available-for-sale financial assets		
Equities and fund units:		
Fondo Augusto	12.509.141	13.840.178
Equinox Two S.c.a.	6.336.999	11.235.220
Credit Access Asia NV	-	990.000
Fondo Cosimo I	2.938.673	3.760.259
Istituto Atesino di Sviluppo S.p.A.	-	3.312.953
SIA - SSB S.p.A.	1.400.000	1.400.000
Opera 2 Partecipations S.C.A.	178.103	773.488
Medinvest International S.A.	950.800	1.103.934
Investitori Associati II S.A.	861.711	875.587
Fondo Progressio Investimenti	-	5.593
Lu-Ve S.p.A.	-	164.710
Mc Link	-	97.416
Nomisma S.p.A.	100.000	100.000
Frendy Energy	-	38.092
Warrant Lu-Ve S.p.A.	-	22.914
Società Editoriale Vita S.p.A.	-	7.659
Isfor 2000 S.c.p.a.	3.000	3.000
Banca di Credito Cooperativo di Casalgrasso e Sant'Albano di Stura	106	-
	-	-
Bonds:	-	-
Editoriale Vita S.p.A. 4%	-	50.772
	25.278.533	**37.781.775**

The change in non-current financial assets available for sale is as follows:

Name/company name	Amounts as at 01/10/2016	Purchases and subscriptions	(Recall of funds) Reimbursements	Transfers	Capital gains (losses)	Write-downs for impairment	Fair value adjustments	Reclassification on current and other changes	Value as at 31/12/2017
Equities and fund units:									
Fondo Augusto	13.840.178	-	-	-	-	(1.331.037)	-	-	12.509.141
Equinox Two S.c.a.	11.235.220	-	(5.185.547)	-	-	(368.854)	656.180	-	6.336.999
Credit Access Asia NV	990.000	-	-	(990.000)	-	-	-	-	-
Fondo Cosimo I	3.760.259	-	-	-	-	(188.203)	(633.383)	-	2.938.673
Istituto Atesino di Sviluppo S.p.A.	3.312.953	-	-	(3.011.776)	(301.177)	-	-	-	-
SIA - SSB S.p.A.	1.400.000	-	-	-	-	-	-	-	1.400.000
Opera 2 Partecipations S.C.A.	773.488	-	-	-	-	(596.479)	-	1.094	178.103
Medinvest International S.A.	1.103.934	-	-	-	-	(153.134)	-	-	950.800
Investitori Associati II S.A.	875.587	-	-	-	-	-	(13.876)	-	861.711
Fondo Progressio Investimenti	5.593	-	(50.747)	-	45.154	-	-	-	-
Lu-Ve S.p.A.	164.710	-	-	(185.695)	20.985	-	-	-	-
Mc Link	97.416	-	-	(97.710)	294	-	-	-	-
Nomisma S.p.A.	100.000	-	-	-	-	-	-	-	100.000
Frendy Energy	38.092	-	-	(32.644)	(5.448)	-	-	-	-
Warrant Lu-Ve S.p.A.	22.914	-	-	(25.306)	2.392	-	-	-	-
Società Editoriale Vita S.p.A.	7.659	-	-	(6.623)	(865)	(171)	-	-	-
Isfor 2000 S.c.p.a.	3.000	-	-	-	-	-	-	-	3.000
Banca di Credito Cooperativo di Casalgrasso e Sant'Albano di Stura		106	-	-	-	-	-	-	106
Bonds:									
Editoriale Vita S.p.A. 4%	50.772	-	(772)	-	-	(50.000)	-	-	-
	37.781.775	**106**	**(5.237.066)**	**(4.349.754)**	**(238.665)**	**(2.687.878)**	**8.921**	**1.094**	**25.278.533**

Repayments and disposals, amounting to EUR 9,6 million, mainly refer to the repayments received from Equinox Two (EUR 5,2 million), the sale of the Credit Access Asia N.V. shares (EUR 0,9 million), the sale of the Istituto Atesino di Sviluppo S.p.A. shares (EUR 3 million) and the sale of part of the shares held in Fondo Progressio Investimenti (EUR 0,1 million).

The decreases due to impairment relate to write-downs made by the Parent Company for a total of EUR 1,6 million and, for EUR 945 thousand, to the write-downs made by Earchimede S.p.A, in relation to the Opera 2 Participations S.p.A. (EUR 596 thousand), Equinox Two S.c.a. (EUR 245 thousand) and Medinvest International S.A. (EUR 153 thousand) funds.

9. Sundry receivables and other assets

The item “Non current receivables and other assets”, equal to EUR 635 thousand (EUR 315 thousand as of September 30, 2016), is as follows:

	31.12.2017	30.09.2016
Tax receivables	147.383	143.033
Other receivables	145.599	144.741
Other assets	342.397	27.199
	635.379	**314.973**

10. Deffered taxes assets

They amount to EUR 0,4 million and are decreased by EUR 0,8 million.

	31.12.2017	30.09.2016
Tax assets recognised in profit or loss	350.679	1.227.482
Tax assets recognised in Equity	72.774	28.761
	423.453	**1.256.243**

	31.12.2017	30.09.2016
Deferred tax assets		
Assets/liabilities held for trading	-	-
Investments	-	-
Property, plant and equipment/intangible assets	97.926	-
Allocations	-	-
Other assets/liabilities	325.527	36.856
Receivables	-	-
Losses carried forward	-	1.219.387
Other	-	-
	423.453	**1.256.243**

The change in tax assets, with a counterpart in the income statement, is as follows:

	31.12.2017	30.09.2016
Opening Balance	**1.227.482**	**4.595.593**
Increases	**173.141**	**302**
Deferred tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	173.141	302
Decreases	**(1.049.944)**	**(3.368.413)**
Deferred tax assets cancelled in the period:	**(1.219.315)**	**(2.823.180)**
- reversals	(1.219.315)	(2.823.180)
Decreases in tax rates	-	-
Other reductions	169.371	(545.233)
	350.679	**1.227.482**

The reversals item mainly refers to the issuance of deferred tax assets, registered in the past few financial years by Fashion District Group S.r.l. in liquidation (EUR 1,2 million).

The change in tax assets, with a counterpart in equity, is as follows:

	31.12.2017	30.09.2016
Opening Balance	**28.761**	**12.762**
Increases	**71.281**	**36.206**
Deferred tax assets recorded in the period:	**-**	**7.703**
- relating to previous years	-	-
- other	-	7.703
Increases in tax rates	-	-
Other increases	71.281	28.503
Decreases	**(27.268)**	**(20.207)**
Deferred tax assets cancelled in the period:	**-**	**(10.423)**
- reversals	-	(10.423)
Decreases in tax rates	-	-
Other reductions	(27.268)	(9.784)
	72.774	**28.761**

Deferred tax assets are recorded, since it is considered probable that a positive taxable income will be achieved, such as to allow the use of the amount recorded as of December 31, 2017.

The management recorded the value of deferred tax assets included in the companies of the Group up to the value for which it is likely to be recovered, also taking into account a further worsening of the expected assumptions within a mid-term time horizon, and the fact that the deferred tax net assets thus allocated refer to temporary differences / tax losses that can be recovered within the time frame implicit in Group planning.

The tax losses relating to the companies participating in the Mittel tax consolidation, net of the compensations made for the financial statements as of December 31, 2017, amount to EUR 51,8 million. The companies of the Group have not provided for the allocation of deferred tax assets, on tax losses, if not within the limits of the amount recorded under current taxes considered recoverable during the financial year through the remuneration due in accordance with the provisions of the tax consolidation contract.

In addition to the losses of the tax consolidation, Mittel S.p.A. presents, as a result of the positive reply obtained in the previous financial year to a specific application submitted, tax losses equal to EUR 60,0 million, relating to the incorporated companies Hopa S.p.A. and Tethys S.p.A., for which, for the reasons set out above, deferred tax assets have not been recorded.

Current assets

11. Inventories

As of December 31, 2017, the item amounted to EUR 90,7 million, decreased by EUR 8,9 million compared to the previous year. In particular, the details are as follows:

	31.12.2017	30.09.2016
Properties inventory	78.321.207	99.590.721
Goods and products inventory	9.232.735	
Raw materials inventory	3.124.022	
	90.677.964	**99.590.721**

Regarding real estate inventories, see the following table:

	31.12.2017	30.09.2016
Breme S.r.l.	10.100.000	10.100.000
CAD Immobiliare S.r.l.	13.400.000	16.073.866
Fede S.r.l.	6.304.000	6.900.000
Gamma Tre S.r.l.	3.900.000	5.210.000
Iniziative Nord Milano S.r.l.	3.500.001	6.200.000
Lucianita S.r.l.	911.438	3.468.462
Mittel Investimenti Immobiliari S.r.l.	8.812.016	10.938.393
MiVa S.r.l.	13.299.173	13.000.000
Parco Mediterraneo S.r.l.	3.500.000	7.700.000
Regina S.r.l.	1.551.892	1.500.000
Santarosa S.r.l.	13.042.687	18.500.000
Total	**78.321.207**	**99.590.721**

The details of the item “real estate inventories” are as follows:

	30.09.2016	Initiative transfer/other	Increase for capitalisation of cost	Decreases for sales	Impairment	Changes in advances	31.12.2017
Breme S.r.l.	10.100.000						10.100.000
CAD Immobiliare S.r.l.	16.073.866		796	(2.370.024)	(304.638)		13.400.000
Fede S.r.l.	6.900.000		4.000		(600.000)		6.304.000
Gamma Tre S.r.l.	5.210.000		198.714		(1.508.714)		3.900.000
Iniziative Nord Milano S.r.l.	6.200.000			(1.456.565)	(1.243.434)		3.500.001
Lucianita S.r.l.	3.468.462		62.801	(2.619.825)			911.438
Mittel Investimenti Immobiliari S.r.l.	10.938.393		17.938	(2.144.315)			8.812.016
MiVa S.r.l.	13.000.000		299.173				13.299.173
Regina S.r.l.	1.500.000		51.892				1.551.892
Santarosa S.r.l.	18.500.000		39.438	(5.496.751)			13.042.687
Parco Mediterraneo S.r.l.	7.700.000				(4.200.000)		3.500.000
Total	**99.590.721**	**-**	**674.752**	**(14.087.480)**	**(7.856.786)**	**-**	**78.321.207**

In order to perform a better analysis of the Group's real estate portfolio, the accounting criteria used as well as the references to the market values applied are used to support financial reporting.
The real estate portfolio includes building areas, buildings under construction, completed properties for sale and buildings for sale. Buildings and building areas included in real estate development projects are valued at the lower of acquisition cost and the corresponding presumed net realizable value. The cost is increased by incremental expenses and capitalized financial charges. Any write-down to the net realizable value is made on the basis of an assessment carried out on individual properties by external experts.

The market value of the real estate portfolio

Market value means the value determined by the appraisals of the individual properties carried out by external experts; the evaluation is carried out at the close of the financial statements. The assessments make use of information that mainly concerns: the time span of the real estate transaction, the characteristics of the real estate transaction (quantification of land and subdivision by use), extent of the charges and commitments to be paid by the owner.
In detail, for the "real estate development" projects, the criteria adopted by the external experts provided for the use of the Transformation Method which is based on the discounting, at the date of the estimate, of the cash flows generated by the real estate operation in the time frame corresponding to its duration, taking into account, through the use of appropriate discounting rates, the financial components and the business risk of the transaction. Since cash flows are the result of the difference between revenues and costs, more briefly the value of the initiative determined by this method can be defined as the difference between the value of the transformed property and the costs incurred for the transformation.
A similar financial approach is used for properties completed during the sale.
All available information is used for evaluation, taking into account factors such as: time period for sale, location, age, quality and condition of the buildings (accessibility, area, type of construction, state of conservation, functionality) and payment methods.

As of December 31, 2017, the Group's real estate portfolio recorded an overall write-down, based on the lower between the net realizable value and the market value, based on the valuations carried out on individual properties by external experts for a total of EUR 7,8 million, detailed according to the individual subsidiaries to which specific real estate initiatives refer are as follow:

Write–down/write-back in property inventories	**Eur**
CAD Immobiliare S.r.l.	304.638
Fede S.r.l.	600.000
Gamma Tre S.r.l.	1.508.714
Iniziative Nord Milano S.r.l.	1.243.434
Parco Mediterraneo S.r.l.	4.200.000
	7.856.786

Inventories of raw materials, goods and products

The industrial companies of the Group, subject to acquisition during the financial year, contributed to this category of inventories.
In particular, the overall voice is explained below:
- for EUR 7,2 million from IMC S.p.A.;
- for EUR 4,6 million from Ceramica Cielo S.p.A.;
- for EUR 0,5 million from Balder S.r.l..

Even the industrial warehouse was carefully evaluated during the closing, identifying any phenomena of obsolescence or slow or no movement. As of December 31, 2017, a write-down of approximately EUR 150 thousand was carried out on the Automotive sector, to align the value of inventories with that of presumed realization.

12. Financial receivables

The item as of December 31, 2017, amounted to EUR 396 thousand, decreased by EUR 32,6 million and is broken down as follows:

	31.12.2017	30.09.2016
Loans	66.248	27.850.798
Other receivables	330.000	5.100.000
Security deposits		
	396.248	**32.950.798**

The item "loans" is as follows:

	31.12.2017	30.09.2016
Loans - financial institutions		57.377
Loans - customers	66.248	27.793.421
	66.248	**27.850.798**

The overall decrease of this item (EUR 32,9 million) is mainly due to the decrease (EUR 22,7 million) of the unpaid credit from Ghea to Bios SpA, subject to full collection, the collection of (EUR 3,9 million) from the loan by Credit Asia NV and the zeroing of the item "other receivables" relating to the deposit on an escrow account to guarantee under contract the sale of the outlets to IDeA FIMIT SGR S.p.A.

13. Other financial assets

The details of the item are as follow:

	31.12.2017	30.09.2016
Bonds	-	-
Equity instruments	-	6.909.464
Derivative financial instruments	-	-
	-	**6.909.464**

Below is the change in current bonds and equity investments:

Amount in Euro			Changes in the period				
Name/company name	Amount as at 01.10.2016	Purchases and subscriptions	Transfers and reimbursements	Capital gais (losses)	Impairment losses	Fair Value adjustments	Amount as at 31.12.2017
Current available-for-sale financial assets:							
Intesa San Paolo S.p.A. (current)	1.480.500	-	(2.153.175)	672.675	-	-	-
UBI Banca - Unione di Banche Italiane S.c.p.a. (current)	3.164.713	300.255	(6.438.914)	2.973.947	-	-	-
	4.645.213	**300.255**	**(8.592.089)**	**3.646.622**	**-**	**-**	**-**
Financial assets held for trading:							-
Equities	2.264.251	1.470.000	(4.088.060)	353.809		-	-
	2.264.251	**1.470.000**	**(4.088.060)**	**353.809**	**-**	**-**	**-**
	6.909.464	**1.770.255**	**(12.680.149)**	**4.000.431**	**-**	**-**	**-**

14. Current tax assets

As of December 31, 2017 the item amounted to EUR 9,5 million, decreased by EUR 1,3 million

	31.12.2017	30.09.2016
IRES (corporate income tax)	8.111.497	9.526.956
IRAP (regional business tax)	1.339.177	1.314.256
	9.450.674	**10.841.212**

Current IRES tax assets refer mainly to EUR 6,6 million, to receivables from the tax authorities deriving from withholding taxes and advance payments made to date by Mittel S.p.A., for EUR 456 thousand Earchimede S.p.A., for EUR 336 thousand Balder S.r.l., for EUR 371 thousand to the ires credits of the real estate companies, for EUR 152 thousand Mittel & Ethica Debt Advisory S.r.l. and for EUR 124 thousand IMC S.p.A..

The IRAP credit is primarily attributable to the advances paid by Mittel S.p.A. (EUR 1,0 million), Balder S.r.l. (EUR 80.1 thousand), Ghea S.r.l. (EUR 59.4 thousand), Earchimede S.p.A. (EUR 47.5 thousand), Lucianita S.r.l. (EUR 38.9 thousand), Mittel Advisory Debt and Grant S.r.l. (EUR 35.4 thousand), Mittel Advisory S.r.l. (EUR 28.7 thousand) and Fashion District Group S.r.l. in liquidation (EUR 15.0 thousand).

The details of the item are as follow:

	31.12.2017	30.09.2016
Opening balance	**10.841.212**	**14.720.698**
Increases	**1.296.182**	**124.640**
Current tax assets recorded in the year:	**279.792**	**27.930**
- relating to previous years	-	-
- other	279.792	27.930
Other increases	1.016.390	96.710
Decreases	**(2.686.720)**	**(4.004.126)**
Current tax assets cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	(2.686.720)	(4.004.126)
	9.450.674	**10.841.212**

15. Sundry receivables and other assets

As of December 31, 2017, the item, amounted to EUR 23,0 million, increased by EUR 14.5 million and is composed as follows:

	31.12.2017	30.09.2016
Trade receivables	17.504.175	1.232.399
Other tax receivables	2.686.673	4.004.260
Other receivables	2.211.656	2.830.195
Accrued income and prepaid expenses	554.747	436.834
	22.957.251	**8.503.688**

The item trade receivables mainly consists of receivables from customers deriving from the characteristic activity of the Group companies, the consistent increase is due to the contribution of the Group's new business sectors following the business combination transactions carried out during the year.
Tax receivables mainly refer to (i) the Group's VAT credit, for EUR 2,5 million, (ii) to the receivable entered in Markfactor S.r.l. in liquidation formed as a result of the transformation of deferred tax assets into tax credits, pursuant to the Legislative Decree no. 201/11, for EUR 0,1 million. The decrease in the item (EUR 1,3 million) is primarily due to the minor contribution of the parent company (EUR 380 thousand against EUR 2,1 million as of September 30, 2016).
The item other receivables is mainly due to the contribution: (i) of the real estate sector for EUR 1,3 million, of which EUR 1,1 million attributable to Miva S.r.l., with reference to the receivable due from the general contractor, Ediltecnica S.r.l., costs incurred by the Company for the realization of works not completed by the general contractor; (ii) from the Automotive sector for EUR 0,3 million; (iii) from the RSA sector for EUR 0,3 million.
The item accruals and deferrals is mainly due to the deferral of charges for insurance policies stipulated by the parent company Mittel and its subsidiaries.

16. Cash and cash equivalents

Cash and cash equivalents, amount to EUR 155,5 million (EUR 85 million as of September 30, 2016), they include the liquidity held by the Group's companies and investments in bank deposits.
The details of the item are as follows:

	31.12.2017	30.09.2016
Cash	74.157	15.243
Bank and postal deposits	155.396.826	84.974.315
	155.470.983	**84.989.558**

For details on the item, reference should be made to the consolidated cash flow statement.

Equity

17. Equity equity pertaining to the Group

The shareholders' equity pertaining to the Group amounted to EUR 223,9 million, a decrease of EUR 29,1 million compared to September 30, 2016.

The structure of the shareholders' equity pertaining to the Group is shown in the following table:

	31.12.2017	30.09.2016
Share capital	87.907.017	87.907.017
Legal reserve	16.760.462	16.760.462
Treasury shares	(21.057.903)	(21.057.903)
Share/holding premium reserve	53.716.218	53.716.218
Valuation reserves	2.558.628	48.281.304
Other reserves	45.374.577	63.248.288
Profit (loss) of previous years	21.805.666	8.622.012
Profit (loss) for the year	16.850.831	(4.505.929)
Equity	**223.915.496**	**252.971.469**

The changes in shareholders' equity during the year are detailed in the relative table previously attached.

Share capital

The share capital is represented by a number of 87.907,017 ordinary shares with a par value of EUR 1.00

As of December 31, 2017, the Parent Company holds treasury shares equal to 12,357,402, unchanged compared to September 30, 2016.

Evaluation reserve

The valuation reserve relates to the adjustment to fair value of financial assets, represented by equity securities or funds, classified as available for sale, net of the related tax effects.

The breakdown and changes in the exercise of the valuation reserve are shown below:

Amounts in thousands of Euro

Fair value reserve	Valuation reserve pertaining to the Group as at 01.10.2016	Changes in the consolidation scope	Fair value changes		Release of reserve to the income statement for transfers of financial assets	Release of reserve to the income statement for fair value gains (losses)	Valuation reserve pertaining to the Group as at 31.12.2017	Share pertaining to non controlling interests as at 31.12.2017	Total evaluation reserve as at 31.12.2017
			Increases	Decreases					
Available-for-sale financial assets:									
Intesa San Paolo SpA	670	-	-	-	(670)	-	-	-	-
Isa SpA	969	-	-	-	(969)	-	-	-	-
Fondo Cosimo I	543	-	-	(449)	-	-	94	-	94
SIA - SSB SpA	1.168	-	-	-	-	-	1.168	-	1.168
Equinox SCA (quota di Mittel)	316	-	206	-	-	-	522	-	522
Equinox SCA (quota di Earchimede)	429	-	812	(429)		-	812	143	955
Credit Access Asia N.V.	605	-	-	-	(605)	-	-	-	-
Warrant Lu-ve SpA	22	-	-	-	(22)	-	-	-	-
Investitori Associati II SA (in liquidation)	431	-	-	(6)	-	-	425	75	500
Total	**5.153**	**-**	**1.018**	**(884)**	**(2.266)**	**-**	**3.021**	**218**	**3.239**
							-		
Investments valued using the equity method:									
Tower 6 bis S.a.r.l.	13.681	-	-	-	(13.681)	-	-	-	-
Bios SpA	29.491	-	-	-	(29.491)	-	-	-	-
Castello SGR SpA	94	-	-	-	(94)	-	-	-	-
Total	**43.266**	**-**	**-**	**-**	**(43.266)**	**-**	**-**		**-**
Cash flow hedging reserve:									
Hedging derivatives	-	(7)	-	(59)	-	-	(66)	(21)	(87)
Total	**-**	**-**	**-**	**(66)**	**-**	**-**	**(66)**	**(21)**	**(87)**
Employee defined benefit plans (IAS 19 revised):									
Actuarial reserve	(138)	(240)	(21)	3	-	-	(396)	96	(300)
Total	**(138)**	**(240)**	**(21)**	**3**	**-**	**-**	**(396)**	**96**	**(300)**
	48.281	**(247)**	**997**	**(940)**	**(45.532)**	**-**	**2.559**	**293**	**2.852**

Other comprehensive income / (losses)

The value of Other Profit / (Losses) is as follows:

			Non controlling interests		**Income (expence) pertaining to the Group**	
	01.10.2016 31.12.2017	**01.10.2015 30.09.2016**	**01.10.2016 31.12.2017**	**01.10.2015 30.09.2016**	**01.10.2016 31.12.2017**	**01.10.2015 30.09.2016**
Profit (loss) for the year (A)	**15.167.278**	**(11.603.444)**	**(1.683.553)**	**(7.097.515)**	**16.850.831**	**(4.505.929)**
Effective part of the profits/(losses) on cash flow hedges	(78.483)	-	(19.483)		(59.000)	-
Profits/(losses) from the redetermination of available-for-sale financial assets	16.471	(5.709.817)	66.490	(51.127)	(50.019)	(5.658.690)
Profits/(losses) from the transfer of available-for-sale financial assets	(2.266.043)	(1.037.402)		-	(2.266.043)	(1.037.402)
Release to the income statement of losses for fair value on available-for-sale financial assets		-		-	-	-
Profits/(losses) of companies valued using the equity method	(43.266.362)	(24.975.135)		-	(43.266.362)	(24.975.135)
Profits/(losses) from remeasurement of defined benefit	(59.392)	(62.088)	(37.599)	5.264	(21.811)	(67.352)
Tax effect relating to other profits/(losses)	197.188	94.488	10.040	(139)	187.148	94.627
Total other income/(expence), net of taxes (B)	**(45.456.621)**	**(31.689.954)**	**19.466**	**(46.002)**	**(45.476.087)**	**(31.643.952)**
Total comprehensive income/(expence) (A) + (B)	**(30.289.343)**	**(43.293.398)**	**(1.664.086)**	**(7.143.517)**	**(28.625.256)**	**(36.149.881)**

The tax effect relating to Other consolidated income/(expense) is composed as follows:

	01.10.2016 31.12.2017			**01.10.2015 30.09.2016**		
	Gross value	**Tax expense/ benefit**	**Net value**	**Gross value**	**Tax expense/ benefit**	**Net value**
Effective part of the profits/(losses) on cash flow hedges	(78.483)	-	(78.483)	-	-	-
Profits/(losses) from the redetermination of available-for-sale financial assets	16.471	183.635	200.106	(5.709.817)	77.414	(5.632.403)
Profits/(losses) from the transfer of available-for-sale financial assets	(2.266.043)	-	(2.266.043)	(1.037.402)	-	(1.037.402)
Release to the income statement of losses for fair value on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies valued using the equity method	(43.266.362)	-	(43.266.362)	(24.975.135)	-	(24.975.135)
Profits/(losses) from remeasurement of defined benefit	(59.392)	13.553	(45.839)	(62.088)	17.074	(45.014)
Other components of the statement of comprehensive income reclassified to the income statement						-
Total other profits/(losses)	**(45.653.809)**	**197.188**	**(45.456.621)**	**(31.784.442)**	**94.488**	**(31.689.954)**

18. Non-controlling interests

The breakdown of equity pertaining to non-controlling interests is shown in the following table:

	31.12.2017	30.09.2016
Share capital pertaining to non-controlling interests	11.178.544	7.017.633
Tresury shares pertaining to non controlling interests		
Other reserves pertaining to non-controlling interests	13.622.813	19.713.303
Non-controlling interests - Reserve from available-for-sale financial assets	218.090	151.600
Non-controlling interests - Cash flow hedge reserve	(21.131)	-
Non-controlling interests - Actuarial reserve IAS 19	(96.364)	(2.595)
Profit (loss) for the year pertaining to non-controlling interests	(1.683.553)	(7.097.515)
Equity pertaining to non-controlling interests	**23.218.399**	**19.782.426**

Non-current liabilities

19. Bond issue

The item "Bond Loans", recorded for the respective quotas due, in current and non-current liabilities, has the following composition:

	31.12.2017	30.09.2016
Current portion	3.072.363	1.309.554
Non current portion	173.023.311	97.873.411
	176.095.674	**99.182.965**

As fully described in the report on operations (to which reference should be made for more information on transactions carried out during the year), as of December 30, 2017 there are two separate bond loans, both listed on the electronic bond market ("MOT"):

- "Mittel S.p.A.'s loan 2013-2019 ": fixed rate bond at 6.00%, expiring on July 14, 2019 and six-month coupon payment, represented by residual 50,349,973 bonds with a nominal value of EUR 0.88, for a total nominal counter-value of EUR 44.307.976;
- "Mittel S.p.A.'s 2017-2023 loan": fixed-rate bond at 3.75%, expiring on July 27, 2023 and six-month coupon payment, represented by 144,709,182 bonds with a nominal value of EUR 0,895, for a total nominal counter-value of EUR 129,514,718.

As of December 31, 2017, the carrying amount of liabilities for Bond Loans is composed as follows:

	31.12.2017	30.09.2016
"Mittel S.p.A. 2017-2023" TF 3,75% bonds		
Current portion	2.089.090	-
Non current portion	129.205.282	-
Total "Mittel S.p.A. 2017-2023" TF 3,75% bonds	**131.294.372**	**-**
"Mittel S.p.A. 2013-2019" TF 6% bonds		
Current portion	983.273	1.309.554
Non current portion	43.818.029	97.873.411
Total "Mittel S.p.A. 2013-2019" TF 6% bonds	**44.801.302**	**99.182.965**
Total bonds	***176.095.674***	***99.182.965***

The table below shows the differentials between the nominal values of the loans (including the coupon matured as of December 31, 2017) and the book values of the same for each bond loan. This difference is due to the application of the amortized cost method. The differentials shown provide the residual measure of capitalized costs on liabilities that will be recognized as financial charges in the years following the effective interest rate, as required by IAS 39.

	31.12.2017	30.09.2016
Current portion		
"Mittel S.p.A. 2013-2019" TF 6% bonds (maturing coupon)	983.273	1.309.554
Non-current portion		
"Mittel S.p.A. 2013-2019" TF 6% bonds (redemption value)	44.307.976	99.853.522
Total nominal repayment	**45.291.249**	**101.163.076**
Measurement at amortized cost	(489.947)	(1.980.111)
Total book value	**44.801.302**	**99.182.965**

	31.12.2017	30.09.2016
Current portion		
"Mittel S.p.A. 2017-2023" TF 3,75% bonds (maturing coupon)	2.089.090	-
Non-current portion		
"Mittel S.p.A. 2017-2023" TF 3,75% bonds (redemption value)	129.514.718	-
Total nominal repayment	**131.603.808**	**-**
Measurement at amortized cost	(309.436)	-
Total book value	**131.294.372**	**-**

In relation to the transactions carried out during the year by Mittel S.p.A., the following significant accounting effects were noted, which led to the presence in the income statement of non-recurring financial charges for a total of approximately EUR 4.5 million:

- at time of issue of the first tranche of the 2017-2023 bond (OPSO transaction in July 2017), costs for approximately EUR 2,5 million were recognized deriving from the initial recognition at fair value of the financial liability (the so-called "day one loss")), determined on the basis of the difference between the offer price and the market value of the first day of listing;
- during the partial extinction of the 2013-2019 bond (call exercised in August 2017), costs for approximately EUR 1,7 million were recorded, relating to the difference between the exercise price paid and the carrying amount at the settlement date of the extinguished liability;
- finally, during OPAS, carried out in November, extinguishing costs were recognized for approximately EUR 0,4 million on the 2013-2019 bond share subject to the exchange transaction (supplemented by a cash consideration) with the second tranche of the 2017-2023 bond, similar in nature to those described in the previous point.

The fair value as of December 31, 2017 of bond loans amounts to:

- for the 2013-2019 bond, EUR 0,924968 per share (EUR 105,11 on a 100 basis), for a total market value of EUR 46.572.114;
- for the 2017-2023 bond, EUR 0,91648 per share (EUR 102,4 on a 100 basis), for a total market value of EUR 132.623.071.

The prospectuses and regulations of the two existing bonds are available on the website www.mittel.it in the "Investor Relations" section.

The 2017-2023 loan provides that, after 36 months from the issue, Mittel has the right to proceed at its discretion to the total or partial repayment of the Loan at a redemption price:

- equal to the nominal amount subject to repayment plus an amount equal to half of the coupon, between the expiration of the third year (excluded) and the expiration of the fourth year (inclusive);
- equal to the nominal amount subject to repayment plus an amount equal to one quarter of the coupon between the expiration of the fourth year (excluding) and the maturity of the fifth year (inclusive);
- equal to the nominal value after the end of the fifth year (excluded).

20. Financial payables

As of December 31, 2017, this item amounted to EUR 50,9 million, showing an increase of EUR 48,6 million compared to the previous year.

The item is made up as follows:

	31.12.2017	30.09.2016
Bank loans	40.769.435	
Other loans	1.780.633	
Financial lease payables	5.958.742	
Other financial payables	2.432.981	2.279.610
	50.941.791	**2.279.610**

In the item bank loans mainly contribute to IMC S.p.A. for EUR 21,1 million, the RSA sector for EUR 11,3 million, Mittel Design S.r.l. for EUR 4,8 million and for EUR 3,8 million Ceramica Cielo S.p.A ..
The item “other loans” consists of the financing of the third party partner of IMC, represented by the seller of the company, which reinvested in the vehicle Mittel Automotive S.r.l. with an interest of 25%, participating in proportion also to the share of the assets of the company financed with the debt of the shareholders. The debt was merged into IMC due to the reverse merger by incorporation of Mittel Automotive into IMC, which was completed in December 2017.
The item "finance leases" is composed of the residual debt of Zaffiro Sviluppo S.r.l, relating to the purchase of the RSA of Rivignano (carried out through a financial lease).

The other financial debts are made up of (i) the "third party" shareholders' loans received by the companies Lucianita S.r.l. for EUR 0,3 million, from Fede S.r.l. for EUR 0,1 million, Mi.Va S.r.l. for EUR 1,6 million and Gamma Tre S.r.l. for EUR 0,2 million; (ii) from payables for financial leasing operations of the company Ceramica Cielo S.p.A. for EUR 0,2 million.

21. Other financial liabilities

As of December 31, 2017, this item amounted to EUR 7,6 million, not present as of September 30, 2016.

	31.12.2017	30.09.2016
Derivative financial instruments	90.196	-
Other financial liabilities	7.460.000	-
	7.550.196	**-**

The item derivative financial instruments consists of the contribution of the company Zaffiro S.r.l. for EUR 76 thousand and by Ceramica Cielo S.p.A. for EUR 14 thousand.

The item "other liabilities" is entirely due to the contribution of the Zaffiro S.r.l. Group, relating to the estimate of the earn-out contractually established in favor of the seller of the same based on the performance of the Group's profit margins in 2018.
As widely described in other sections of this financial statement, such potential contingent consideration is included in the consideration of the business combination and has therefore led to the recognition of an increment of the same amount.

22. Provisions for personnel

As of December 31, 2017, the item, equal to EUR 4,8 million, increased by EUR 3,4 million and is composed as follows:

	31.12.2017	30.09.2016
Employee severance indemnity	4.772.042	1.429.528
Other allowances	15.373	
	4.787.415	**1.429.528**

La movimentazione del trattamento di fine rapporto nell'esercizio risulta la seguente:

	31.12.2017	30.09.2016
Opening balances	**1.429.528**	**1.750.375**
Increases:		
- Allocation for the period	1.278.687	237.577
- Increase due to business combination	3.223.886	
- Other increases	60.368	111.170
Decreases:		
- Utilisations	(703.056)	(619.814)
- Other decreases	(517.371)	(49.780)
	4.772.042	**1.429.528**

The valuation was carried out on the basis of IAS 19, as the Severance Pay is similar to a "post-employment benefit" of the "defined benefit plans" type, whose amount already accrued must be projected in the future, in order to estimate the amount to be paid at the time of termination of the employment relationship, and then discounted, using the "Projected unit credit method", to take into account the length of time needed before the actual payment.

The actuarial assumptions adopted refer to:
a) hypothesis of reasons for leaving the Group: mortality, total and permanent disability, staff turnover, such as resignation, dismissal and retirement due to seniority and old age;
b) economic and financial hypotheses: discount rate for future services; wage growth line, which determines the dynamics of salaries; annual inflation and annual rate of return on accrued severance pay;
c) further hypotheses were formulated on the frequency of advances on severance pay, on withholding taxes and, overall, on the legislation in force.

All of the hypotheses used in the evaluations, given the low number of the community in question, derived from experiences found on the market, and reflect the current corporate, regulatory and market conditions at the valuation date and are based on the continuity of the business activity.
To quantify severance pay, as governed by art. 2120 C.C., a fee equal to 7.41% of the amount of projected salary was calculated for each year of service, valid for the purposes of severance pay and due for the same

year. From the amount obtained 0,5% of the amount was subtracted to finance the severance pay (TFR Guarantee Fund) set up by INPS.
The amount of the projected salary in future years is estimated, for each employee, annually increasing the remuneration of the year to which the evaluation refers, valid for the purposes of severance pay (TFR), based on the projected inflation rate (equal to 1,5% for 2017/2018 and constant at 2% from 2019 onwards) and other contractual increases
For the purpose of revaluation, and with the exclusion of the portion accrued during the year, the severance pay is increased each year by applying a rate consisting of a fixed component of 1,5% and a variable equal to 75% of the projected inflation rate. Annual income tax is substituted for income taxes of 17% (this rate was increased from 11% to 17% due to the change referred to in paragraph 623, art.1 law 23/12/2014 n.190 - Stability Law).
For each of the basic assumptions, an analysis was made of the effect on the results of the actuarial valuations of the variation, plus or minus 10% of the size itself. We proceeded to vary a quantity at a time, without prejudice to all other quantities.

23. Deferred tax liabilities

They amount to EUR 10,2 million and include deferred taxes determined on the basis of temporary differences that emerge between the assets and liabilities of the financial statements and the corresponding values recognized for tax purposes.

The item is shown in details in the following chart:

	31.12.2017	30.09.2016
Tax liabilities recognised in profit or loss	10.164.885	6.540.866
Tax liabilities recognised in equity	57.279	2.954.203
	10.222.164	**9.495.069**

	31.12.2017	30.09.2016
Deferred liabilities		
Receivables	1.939.796	5.414.476
Assets/liabilities held for sale	22.467	213.758
Investments		
Property, plant and equipment/intangibles assets	7.908.882	3.862.613
Other assets/liabilities	351.019	4.222
Other		
	10.222.164	**9.495.069**

The item mainly consists in (i) EUR 1,9 million from deferred tax calculated on the adjustment of the value of the receivable claimed by Ghea S.r.l. in regard to Bios SpA, (ii) for EUR 1,9 million from the contribution to the consolidation by Fashion District Group S.r.l. in liquidation, following the tax gain realized in the sale of the real estate compendiums of Mantua and Molfetta, and (iii) for EUR 6,1 million, from the contribution of the company IMC S.p.A.

Changes in the item tax liabilities recognised in profit or loss are as follows:

	31.12.2017	30.09.2016
Opening balance	**6.540.866**	**10.995.153**
Increases	**9.002.785**	**473.825**
Deferred taxes recorded in the year:	**-**	**87.462**
- relating to previous years	-	-
- other	-	87.462
Increases in tax rates	-	-
Other increases	9.002.785	386.363
Decreases	**(5.378.766)**	**(4.928.112)**
Deferred taxes cancelled in the year:	**(5.378.766)**	**(641.122)**
- reversals	(5.378.766)	(641.122)
Decreases in tax rates	-	(163.196)
Other reductions	-	(4.123.794)
	10.164.885	**6.540.866**

Changes in the item tax liabilities recognised in equity are as follows:

	31.12.2017	30.09.2016
Opening balance	**2.954.203**	**6.702.538**
Increases	**33.124**	**-**
Deferred taxes recorded in the year:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	33.124	-
Decreases	**(2.930.048)**	**(3.748.335)**
Deferred taxes cancelled in the year:	**-**	**(2.943.615)**
- reversals	-	(2.943.615)
Decreases in tax rates	-	(600.154)
Other reductions	(2.930.048)	(204.566)
	57.279	**2.954.203**

24. Provisions for risks and charges

As of December 31, 2017, the item, equal to EUR 2,3 million, increased by EUR 0,5 million and is composed as follows:

	31.12.2017	30.09.2016
Provision for risks:		
Legal disputes	1.413.927	902.875
Disputes with personnel		
Contractual disputes		
Other disputes	643.314	521.346
Other provisions:		
Expenses for personnel		
Other expenses	224.528	331.632
	2.281.769	**1.755.853**

The item saw the following changes:

	31.12.2017	30.09.2016
Opening balance	**1.755.853**	**5.397.233**
increases:		
Allocation	965.006	981.875
Other increases	128.276	-
Decreases:		
Utilisations	(567.366)	(1.466.086)
Other decreases	-	(3.157.169)
	2.281.769	**1.755.853**

The provision for risks and charges is mostly made up of allocations made by the parent company Mittel S.p.A. for EUR 0,9 million, by Fashion District Group S.r.l. in liquidation for EUR 0,6 million, from the real estate sector for EUR 0,3 million, from the Advisory sector for EUR 0,2 million, from the RSA sector for EUR 0,1 million, and from Ceramica Cielo S.p.A. for EUR 0,1 million.

The fund of the parent company Mittel S.p.A., amounts to EUR 0,9 million, it is attributable to the provision on the basis of the best estimate of legal fees related to current legal disputes (with risk related to the merit of the probable dispute and therefore not subject to provisions , consistent with the provisions of IAS 37).
The fund related to Fashion District Group S.r.l. in liquidation, equal to EUR 0,6 million, refers to a tax dispute relating to the classification of properties previously held in Molfetta.
The current fund, attributable to the real estate segment, of EUR 0,3 million, refers to the provision for risks set aside in relation to a litigation in the hands of Lucianita S.r.l., in relation to which the company was sentenced in first instance.

25. Sundry payables and other non-current liabilities

They amount to EUR 0,1 million (EUR 0,5 million as of September 30, 2016) and consist primarily in the contribution from the real estate sector.

Current liabilities

26. Bond issue

They amount to EUR 3,1 million and refer to accrued interest accrued in the period between the coupon detachment date of the bonds and December 31, 2017, the date of the closing of these consolidated financial statements.

27. Financial payables

They amounted to EUR 22,4 million and decreased by EUR 55,5 million during the financial year.
The details of the item are as follow:

	31.12.2017	30.09.2016
Bank loans	13.260.502	71.815.391
Current portion of medium/long-term bank loans	9.059.205	6.056.874
Other loans	85.987	-
Other financial payables	8.214	
	22.413.908	**77.872.265**

Bank loans consist in hot money loans or other short-term credit lines granted by leading banks with rates indexed to the one-three-month Euribor with short-term maturity, of which EUR 9,5 million pertaining to Mittel S.p.A..
The company "Gruppo Zaffiro S.r.l." contributes principally to the item "Current portion of medium / long-term bank loans" for EUR 6,0 million, IMC S.p.A. for EUR 1,7 million and for EUR 1,4 million the company Ceramica Cielo S.p.A ..
The item "Other loans" consists solely of the contribution of Ceramica Cielo S.p.A..
The item "Other financial payables" consists solely of the contribution of Gruppo Zaffiro S.r.l. .

28. Current tax liabilities

As of December 31, 2017, the item amounts to EUR 1,6 million, an increase by EUR 1,6 million compared to the previous year, and consists of the tax debt outstanding as follows:

	31.12.2017	30.09.2016
IRES (corporate income tax)	661.439	
IRAP (regional business tax)	964.783	12.660
	1.626.222	**12.660**

	31.12.2017	30.09.2016
Opening balance	**12.660**	**1.492.384**
Increases	**1.625.669**	**12.660**
Current tax liabilities recorded in the year:	**-**	**12.660**
- relating to previous years	-	-
- other	-	12.660
Other increases	1.625.669	-
Decreases	**(12.107)**	**(1.492.384)**
Current tax liabilities cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	(12.107)	(1.492.384)
	1.626.222	**12.660**

The item mainly consists of the contribution of Ghea S.r.l. for EUR 0,6 million, for EUR 0,5 million from Ceramica Cielo S.p.A., for EUR 0,3 million from Balder S.r.l. and for EUR 0,1 million from companies in the RSA sector.

29. Sundry payables and other liabilities

They amount to EUR 32,6 million and are up by EUR 22,6 million compared the previous financial year. The item is made up as follows:

	31.12.2017	30.09.2016
Trade payables	16.507.034	3.106.326
Tax payables	1.108.945	330.678
Payables relating to employees	2.794.253	567.322
Payables due to directors and statutory auditors	1.236.944	569.413
Payables due to social security institutions	1.305.782	189.838
Other payables	9.060.289	4.958.221
Accrued expenses and deferred income	575.004	272.370
	32.588.251	**9.994.168**

The item "Trade payables" mainly includes the payables recorded by the company IMC S.p.A. for EUR 7,5 million, the payables of Ceramica Cielo S.p.A. for EUR 4,5 million, and EUR 1,3 million, for the parent company Mittel EUR 0,9 million, from Balder S.r.l., EUR 1,5 million from companies in the RSA sector and EUR 0,2 million from Mittel Advisory Debt and Grant S.r.l..
.

The item other payables mainly includes:

(i) for EUR 6,7 million to the debit recorded by Mittel S.p.A. in return for a collection received in connection with the Auchan / Bernardi dispute, tax dispute involving Mittel as Hopa's acquiring company, subject granting contractual guarantees together with Primavera S.p.A., in favor of La Rinascente S.p.A. (then Auchan SpA, now Società Italiana Distribuzione Moderna SpA, following the sale of the Colmark group to the same company.) Subsequent developments in tax litigation led first to a partial acceptance of the appeal filed by the company (with a ruling by the Provincial Tax Commission of Venice) and subsequently to a partial reform by the Regional Tax Commission of Venice, which instead confirmed in its entirety the claims brought by the contested deeds.After the appeal presented by the company to the Supreme Court, the latter, with sentence No. 382 of 25 /11/2015 filed on 13/01/2016, partially ruling, with reference to another section of the Regional Tax Commission of Veneto, the sentence of the Regional Tax Commission of Venice that had fully confirmed the tax claim brought by the notices of assessment. Following the Court of Appeal's ruling, the Revenue Agency refunded the taxes and penalties related to the grounds of appeal deemed to be well-founded but, until a final sentence is reached, all the sums must be considered collected on a provisional basis;

(ii) for EUR 1,3 million to advances from customers received from the company IMC S.p.A.;

(iii) for EUR 0,4 million from the contribution of companies in the RSA sector;

(iv) for EUR 0,3 million for advances and deposits received from real estate companies regarding their sales activity.

Information on the consolidated income statement

30. Revenue

The breakdown of revenues is shown below, highlighting the main types:

	31.12.2017	30.09.2016
Revenue from property sales	15.881.719	5.561.343
Revenue from rent	346.803	309.045
Revenue from provision of services	22.995.159	464.590
Other revenue	31.410.193	1.650.294
	70.633.874	**7.985.272**

The item revenues from property sales refers to income from sales of property inventories. In particular, it consists in the contribution made by Santarosa S.r.l. for EUR 6,0 million (EUR 2,2 million as of September 30, 2016), by Lucianita S.r.l. for EUR 3,1 million (EUR 1,5 million as of September 30, 2016), by Mittel Investimenti Immobiliari for EUR 2,7 million for its own initiative located in Arluno (EUR 0,8 million as of September 30, 2016), by Cad Immobiliare S.r.l. for EUR 2,5 million (EUR 0,4 million as of September 30, 2016), by Iniziative Nord Milano S.r.l. for EUR 1,5 million (EUR 0,6 million as of September 30, 2016).

The item "rental income" refers to EUR 0,2 million for current rental contracts by the Group’s real estate companies and EUR 0,1 million for charges made by Mittel S.p.A. for the lease of offices they own.

Revenues for services rendered refer to services offered by companies in the RSA sector for EUR 21,8 million, for EUR 1,1 million to the consulting activity of Ethica & Mittel Debt Advisory S.r.l. and to the charges made for housing, administrative and IT services provided by the parent company Mittel S.p.A. (for EUR 0,1 million).

Other revenues mainly refer to the Automotive sector for EUR 11,0 million, to Ceramica Gli Cielo S.p.A. for EUR 10,5 million, for revenues of EUR 7,6 million from the companies in the RSA sector for contributions reimbursed by local health companies, for EUR 1,4 million, the consulting activity carried out by Mittel Advisory S.r.l. and for EUR 0,7 million from the activity carried out by Mittel Advisory Debt and Grant S.r.l .

31. Other income

The item is shown in details in the following table:

	31.12.2017	30.09.2016
Recoveries of various expenses	177	-
Prior year income	754.677	844.977
Income from elimination of assets	243.624	485
Other revenue and income	851.167	886.832
	1.849.645	**1.732.294**

The item windfall gains consist mainly of EUR 0,4 million from real estate companies, EUR 0,1 million from the contribution of the RSA sector, and EUR 0,1 million from Ceramica Cielo S.p.A. and for EUR 0,1 million by Mittel S.p.A ..
The item "proceeds from elimination of assets" is entirely due to the disposal of tangible assets by Mittel S.p.A.
The item other revenues and income is mainly composed of the contribution of Ceramica Cielo S.p.A. for EUR 0,5 million, by Mittel S.p.A. for EUR 0,2 million and Mittel Advisory Debt and Grant S.r.l. for EUR 0,1 million.

32. Variations in inventories

The breakdown of revenues is shown below, highlighting the main types:

	31.12.2017	30.09.2016
Increases in property inventories	670.752	2.470.086
Decreases in property inventories	(14.087.482)	(5.260.343)
Impairment losses in property inventories	(7.856.786)	(7.239.873)
Changes in goods and products inventory	2.625.841	-
Changes in raw materials inventory	(180.532	-
	(18.828.207)	**(10.030.130)**

In regard to changes in the items relating to property inventories, see the information in the tables and in the comments of the corresponding balance sheet item.

The change in goods, products and raw materials contributed for EUR 1,4 million to IMC S.p.A., for EUR 0,9 million to Ceramica Cielo S.p.A. and for EUR 0,1 million Balder S.r.l .

33. Costs for purchases

The composition of the item is shown in the following table:

	31.12.2017	30.09.2016
Purchases and property increases	(13.208.443)	(2.102.617)
Provision of services and consultancy	(215.880)	(119.266)
Urbanisation expenses	(49.118)	(46.060)
Insurance	(2.481)	(28.128)
Maintenance	(76.387)	(3.100)
Other	(14.681)	(4.563)
	(13.566.990)	**(2.303.734)**

The item costs for purchases shows a strong increase due to the entry of new business segments in the scope of consolidation. The contribution is mainly due to the following companies: IMC S.p.A. for EUR 6,7 million, to Ceramica Cielo S.p.A. for EUR 3,5 million, to the companies of the RSA sector for EUR 2,1 million, to Balder S.r.l. for EUR 0,4 million, to Miva S.r.l. for EUR 0,3 million, to Lucianita S.r.l. for EUR 0,2 million, in Santarosa S.r.l. for EUR 0,1 million and Gamma Tre S.r.l. for EUR 0,2 million.

34. Costs for services

The details of the item are shown in the following table:

	31.12.2017	30.09.2016
Legal consultancy	(1.688.821)	(1.214.246)
Notary consultancy	(264.937)	(118.471)
Other consultancy	(3.876.513)	(1.885.667)
General services and maintenance	(4.876.555)	(1.419.735)
Administrative, organisational and audit services	(174.461)	(3.209)
Cost of temporary workers	(65.804)	(25.987)
Directors' fees	(3.366.666)	(1.776.449)
Board of Statutory Auditors’ fees	(391.091)	(261.866)
Supervisory Body’s fees	(147.799)	(122.487)
Fees for prosecutors and Manager in charge	(20.000)	(16.000)

Rentals	(5.838.754)	(1.870.659)
Leases	(84.119)	(38.478)
Insurance	(581.770)	(447.394)
Utilities	(1.925.869)	(329.874)
Advertising	(275.005)	(43.809)
Others	(1.048.323)	(63.640)
	(24.626.487)	**(9.637.971)**

Costs for services recorded a significant increase (by EUR 15,0 million) compared to the previous year, substantially due to the entry, in the consolidation perimeter of the Mittel Group, of new business sectors, whose contribution to the total of the item is EUR 15,1 million. In detail, the RSA sector contributes for EUR 10,3 million, Mittel S.p.A. for EUR 5,2 million, Ceramica Cielo S.p.A. for EUR 2,7 million, Mittel Design S.r.l. for EUR 0,4 million, IMC S.p.A. for EUR 1,9 million, Balder S.r.l. for EUR 0,1 million, the real estate sector for EUR 1,8 million, the advisory sector for EUR 1,4 million, Markfactor S.r.l. in liquidation for EUR 0,4 million, and Fashion District Group S.r.l. in liquidation for EUR 0,3 million.

35. Personnel costs

The details of the item are shown in the following table:

	31.12.2017	30.09.2016
Wages and salaries	(17.146.827)	(4.000.503)
Social security costs	(5.147.583)	(1.400.158)
Allocation to employee severance indemnity	(1.034.301)	(213.401)
Payments to external supplementary pension funds	(32.957)	(18.412)
Other personnel costs	(1.128.888)	(994.917)
	(24.490.556)	**(6.627.391)**

In details, the costs for personnel are made up as follows: EUR 3,9 million from the contribution of the parent company Mittel (EUR 3,9 million in the financial statements of the previous year), and EUR 13,9 million from the RSA sector, for EUR 2,0 million from the Advisory sector (EUR 1,5 million in the financial statements for the previous year), for EUR 2,7 million from Ceramica Cielo S.p.A., EUR 1,5 million from IMC S.p.A., EUR 0,2 million from Balder S.r.l. and Euro 0.2 million from Mittel Investimenti Immobiliari S.r.l. (EUR 0,5 million in the financial statements of the previous year).

Average number of the Group's employees per category:

	Exact number 31 December 2017	Average in the year 2016/2017	Average in the year 2015/2016
Managers	8	6	7
Officials	22	18	15
Employees	98	67	44
Workers	578	430	
Total	**706**	**522**	**66**

36. Other costs

Details of this item are shown below:

	31.12.2017	30.09.2016
Taxes and duties	(2.412.095)	(1.904.328)
Losses on receivables	(50.936)	(38.239)
Capital losses from transfer of property, plant and equipment	(15.517)	(138.718)
Prior year expenses	(713.698)	(1.179.480)
Other sundry operating expenses	(1.409.780)	(1.677.655)
	(4.602.026)	**(4.938.420)**

The item "taxes and duties" mainly consists of indirect taxes (mainly non-deductible VAT) of Mittel S.p.A. for EUR 1,3 million, of the Real Estate sector for EUR 0,5 million and of the RSA sector for EUR 0,3 million.

The item "extraordinary contingencies" mainly contributes to Mittel Advisory Debt and Grant S.r.l. for EUR 0,1 million, for EUR 0,3 million from Fashion District Group S.r.l. in liquidation, for EUR 0,1 million from Mittel S.p.A., for EUR 0,1 million from the RSA sector and EUR 0,1 from the real estate sector.

Other operating expenses are mainly attributable to the advisory sector for EUR 0,2 million, to the RSA sector for EUR 0,1 million and to the Parent Company for EUR 0,8 million.

37.

Amortization and value adjustments to intangible assets

Details of the item are shown below:

	31.12.2017	30.09.2016
Intangible assets		
Amortization	(88.818)	(113.288)
Impairment losses	-	-
Reversals of impairment losses	-	-
Property, plant and equipment		
Amortization of investment property	-	-
Amortization of other assets owned	(2.508.652)	(207.948)
Amortization - finance leases	-	-
Impairment losses	-	-
Reversals of impairment losses	-	-
Assets relating to finance leases	**-**	**-**
	(2.597.470)	**(321.236)**

This item is strongly influenced by the entry into the Group of new business sectors subject to business combinations. In detail, the contribution to the item is mainly due to EUR 1,0 million to IMC S.p.A., for EUR 0,8 million to companies in the RSA sector, for EUR 0,4 million to Ceramica Cielo S.p.A. and for EUR 0,3 million to the contribution of Mittel S.p.A.

38. Allocations to the provision for risks

The details of the item are shown below:

	31.12.2017	30.09.2016
Provisions for ongoing disputes:		
for legal disputes	(614.856)	(230.977)
for expenses for personnel	-	-
Provision for contractual disputes	-	-
Provision for restructuring expenses	-	-
Other provisions	(90.163)	(134.000)
	(705.019)	**(364.977)**

The item "provisions for legal disputes" derives from the contribution to the consolidation of the companies Lucianita S.r.l. (EUR 0,3 million), Mittel Advisory Debt and Grant S.r.l., Mittel S.p.A. and Mittel Advisory.
The item "other provisions" mainly refers to the net effect of the allocations made by Ceramica Cielo S.p.A. (EUR 0,1 million), IMC (EUR 0,1 million) and of the release made by Miva S.r.l. (EUR 0,1 million).

39. Share of income (loss) of investments accounted for using the equity method

The item includes:
- the pro-quota of the profit / (loss) of the net result of the companies valued using the equity method, inclusive of any loss in value;
- the write-downs / (reversals) of value of investments valued according to the equity method;
- the gains / (losses) realized with the sale of investments valued according to the equity method;
- the gains / (losses) corresponding to the net economic result of the period of the investments that have ceased to be consolidated on an integral basis, due to the disposal of the controlling interest on them;
- any write-downs for losses of investee companies exceeding their carrying amount to the extent of corresponding to actual loss-covering obligations and with a provision for the provision for risks.

The details of the item are as follows:

	31.12.2017	30.09.2016
Pro-rata profits		
Castello SGR S.p.A.	225.331	477.877
Superpartes S.p.A.	20.130	-
Tower 6 Bis Sarl	13.339.247	12.799.398
Mittel Generale Investimenti S.r.l.	-	23.072
Bios S.p.A.	28.714.883	12.060.183
	42.299.591	**25.360.530**
Pro-rata losses		
Chase Mittel Capital Holding II N.V. in liquidazione	-	(6.250)
Mit-Fin S.p.A.	(4.157)	(92.463)
Superpartes S.p.A.	-	(19.930)
	(4.157)	**(118.643)**
	42.295.434	**25.241.887**

40. Financial income

The details of the item are as follows:

	31.12.2017	30.09.2016
Bank interest income	656.877	166.423
Interest income on financial receivables	5.507.564	5.912.453
Other interest income	202.779	343.635
Other financial income	44.730	219.096
Exchange rate gains	12.762	-
	6.424.712	**6.641.607**

Interest income on financial receivables is mainly attributable for EUR 1,7 million to the contribution relating to the loan for Ghea S.r.l. in regard to Bios S.p.A, and for EUR 3,7 million for the contribution to the parent company Mittel S.p.A. for outstanding loans.

41. Financial expenses

The details of the item are as follows:

	31.12.2017	30.09.2016
Interest expense on bonds	(9.120.946)	(6.621.642)
Interest expense on bank current accounts	(49.598)	(20)
Interest expense on bank loans	(1.815.535)	(1.993.487)
Interest expense on other loans	(664.245)	(1)
Other interest expenses	(223.115)	(36.101)
Other financial expenses	(4.846.198)	(316.585)
Hedging activities		
Fair value hedging derivatives	-	-
Assets hedged (Fair value hedges)		
Liabilities hedged (Fair value hedges)		
Cash flow hedging derivatives		
Other		
Exchange rate losses	(20.361)	(4.841)
	(16.739.998)	**(8.972.677)**

The item interest expense on debenture loans includes the recording of interest expenses on the bond loans of Mittel S.p.A. for the entire year of competence.
Mittel S.p.A., by EUR 1,4 million, the RSA sector by EUR 0,4 million and Mittel Investimenti Immobiliari S.r.l. contributed for EUR 0,1 million to the item "interest expense on bank loans”.
The other financial charges are attributable to Mittel S.p.A. for EUR 4,7 million (of which EUR 4,5 million related to non-recurring charges related to the start-up / settlement operations carried out during the year) and for EUR 0,1 million to the companies of the RSA sector.

42. Dividends

The details of the item are as follows:

	31.12.2017	30.09.2016
Dividends from financial assets held for trading	-	62.736
Dividends from available-for-sale financial assets	151.701	495.994
Dividends from investments	-	340.800
	151.701	**899.530**

The item dividends is entirely attributable to Mittel S.p.A.. In particular, dividends from financial assets available for sale mainly refer to the distributions made, for EUR 16 thousand, by Ubi Banca and for EUR 136 thousand, by Sia S.p.A.

43. Profit (Losses) from the management of financial assets and investments

The details of the item are as follows:

	31.12.2017	30.09.2016
Available-for-sale financial assets		
Capital gains	6.257.769	-
Other income	252.887	6.820.453
Capital gains (losses) from transfer of receivables	**-**	**43.167**
Capital gains (losses) from transfer of investments	**3.236.174**	**961.700**
	9.746.830	**7.825.320**

The item is primarily attributable to Mittel S.p.A.. In particular, the item "gains on available-for-sale assets" mainly includes the results achieved on the sale of the shares held in UBI Banca (EUR 2.974 thousand), Intesa Sanpaolo (EUR 1.342 thousand), Istituto Atesino di Sviluppo S.p.A. (EUR 668 thousand), the settlement for the price difference between Mittel Generale Investimenti (EUR 133 thousand), the settlement of the total disposal of the investment held in Credit Access Asia N.V. (EUR 605 thousand), on the distribution, on a definitive basis, made by O.M.B. Brescia S.p.A. in liquidation (EUR 327 thousand) and the price difference collected in reference to the sale of Brands Partners 2 S.p.A. (EUR 123 thousand).

The item other income mainly refers to the amounts collected by Earchimede S.p.A. from the title Opera Partecipations 2 S.C.A.

The item capital gains refers to the sale of the investment by Mittel S.p.A. in Castello SGR occurred during the year.

44. Value adjustments to financial assets and receivables

The details of the item are as follows:

	31.12.2017	30.09.2016
Impairment losses on financial receivables	(8.898.664)	(13.693.616)
Impairment losses on other receivables	(952.545)	(7.339.450)
Impairment losses on available-for-sale financial assets	(2.687.885)	(2.499.524)
Impairment losses on non-current assets held for sale	-	-
Reversals of impairment losses on financial assets	-	-
	(12.539.094)	**(23.532.590)**

The write-down of financial receivables is mainly attributable to Mittel S.p.A. by EUR 8,7 million and to Mittel S.p.A. for EUR 0.2 million to Markfactor S.r.l. in liquidation.

The write-down of other receivables refer mainly to the contribution of Lucianita S.r.l. by EUR 0,8 million and Fashion District Group S.r.l. in liquidation for EUR 0,1 million.

The write-down of available-for-sale financial assets amount to EUR 1,7 million for the value adjustments recorded by the parent company Mittel in relation to Fondo Augusto (EUR 1,3 million), Fondo Cosimo (EUR 0,2 million), Equinox Two (EUR 0,1 million) and Bond Editoriale Vita S.p.A. (EUR 50 thousand); for EUR 1,0 million from the value adjustments entered by Earchimede S.p.A. with reference to Opera Partecipations 2 S.c.a. (EUR 0,6 million), to Medinvest International S.c.a. (EUR 0,2 million) and Equinox Two (EUR 0,2 million).

45. Profit (Losses) from trading in financial assets

The item is exclusively attributable to the activity carried out by the Parent Company, it is made up as follows:

	31.12.2017	30.09.2016
Gains/losses on disposal of securities (current)	353.809	211.506
Capital gains/ losses on securities valuation (current)	-	(393.635)
Derivative financial instruments	-	242.869
	353.809	**60.740**

46. Income taxes

The amount is as follows:

	31.12.2017	30.09.2016
IRES (corporate income tax)	(1.106.355)	8.697
IRAP (regional business tax)	(1.044.753)	(11.459)
Taxes of previous years	(61.180)	(8.442)
Total current taxes	**(2.212.288)**	**(11.204)**
Deferred tax liabilities	5.644.236	8.080.045
Deferred tax assets	(1.024.828)	(3.329.809)
Total deferred taxes	**4.619.408**	**4.750.236**
Total income taxes	**2.407.120**	**4.739.032**

47. Income (loss) pertaining to non-controlling interests

The details of the item are as follows:

	31.12.2017	30.09.2016
Profit (loss) for the year pertaining to non-controlling interests	(1.683.553)	(7.097.515)
	(1.683.553)	**(7.097.515)**

48. Basic and diluted earnings (loss) per share

As required by IAS 33, Mittel Group reports the basic result per share determined as the net result for the year attributable to the Parent Company, divided by the weighted average number of shares outstanding during the year and the diluted earnings determined by adjusting the net profit attributable to holders of ordinary equity instruments of the Parent Company Mittel S.p.A., this, to account fort the effects of all potential ordinary shares with a dilutive effect.

In particular, the basic profit per diluted share is determined as follows:

- *Earnings or basic loss per share:*
- Basic earnings or losses per share are determined by dividing the profit or loss attributable to holders of ordinary equity instruments of the Parent Company Mittel S.p.A. by the weighted average number of ordinary shares outstanding during the year.
- *Profit or loss diluted per share:*
- As required by IAS 33, diluted earnings per share should take into account the effects of all potential ordinary shares with a dilutive effect.

The basic or diluted earnings per share attributable to the Parent Company as of December 31, 2017 compared to the previous year are as follows:

Earnings/(loss) per share attributable to the Parent Company (in EUR)	**31.12.2017**	**30.09.2016**
From income statement:		
- Basic	0,223	(0,059)
- Diluted	0,223	(0,059)
From comprehensive income:		
- Basic	(0,379)	(0,469)
- Diluted	(0,379)	(0,469)

The reconciliation of the weighted average number of outstanding shares, for the purpose of determining the basic earnings or loss per share from the consolidated income statement and the total consolidated profitability as of December 31, 2017 compared to the previous year is as follows:

Basic earnings or loss per share

During the financial year as of December 31, 2017 the number of outstanding shares did not change:

Basic earnings/(loss) per share attributable to the Parent Company	**30.09.2016**	**30.09.2016**
(no. ordinary shares)		
No. of shares at start of the year	87.907.017	87.907.017
Average weighted number of ordinary shares subscribed in the year	-	-
No. of treasury shares at start of the year	(12.357.402)	(15.308.706)
Average weighted number of treasury shares acquired in the year	-	(431.130)
Average weighted number of treasury shares sold in the year	-	4.830.954
Average weighted number of shares outstanding at the end of the year	**75.549.615**	**76.998.135**

The consolidated Base result per share attributable to the parent company as of December 31, 2017 compared to the previous year is as follows:

Amounts in EUR		
Net profit/(loss) attributable to the Parent Company	**16.850.831**	**(4.505.929)**

Amounts in EUR		
Basic earnings/(loss) per share attributable to the Parent Company	**0,223**	**(0,059)**

The consolidated Base result per share attributable to the parent company as of December 31, 2017 compared to the previous year is as follows:

Amounts in EUR		
Total net profit/(loss) comprehensive attributable to the Parent Company	**(28.625.257)**	**(36.149.881)**

Amounts in EUR		
Total basic earnings/(loss) comprehensive per share attributable to the Parent Company	**(0,379)**	**(0,469)**

Profit or loss diluted per share

The Presence of a Stock Appreciation Rights allocation plan that affects the determination of the number of shares to be used for calculating the diluted earnings per share

As of December 31, 2017, the shares that could potentially be issued only concern the shares assigned for the medium-long term incentive plan based on the allocation of the Stock Appreciation Rights (SARs) on the shares reserved for Mittel S.p.A.’s CEO and to other Group employee

The presumed payments deriving from these instruments deriving from payment agreements based on their shares, are considered as if they were received by the issue of ordinary shares at the average market price of the ordinary shares during the period. Therefore, the difference between the number of ordinary shares actually issued and the number of ordinary shares potentially emitted at the average market price of ordinary shares is to be considered as an issue of ordinary shares without consideration.

The instruments relating to the agreements of the SAR offered at fixed or determinable conditions and unallocated ordinary shares, are treated as options in the calculation of diluted earnings per share, even though they may be subordinated to the assignment and considered as outstanding on the date of allocation .
In particular, the offer options based on the performance of labor services or services are treated as potential shares to be issued as their issue is subject to the fulfillment of certain conditions over time.

Contrary from the financial year ended as of September 30, 2016, closed in consolidated loss and for which the effect of the SAR on diluted earnings per share was not considered as having anti-dilutive nature, for the financial year as of December 31, 2017, the incentive plan SAR was considered for the purpose of calculating the diluted earnings per share. For similar reasons to what previously described in relation to the approach followed in the previous year, for the purposes of the overall profitability per diluted share (total negative profitability in the year) the effect of the SAR was not considered.

Furthermore, it should be noted that the values of the result per share exposed, must not be adjusted due to transactions involving ordinary shares or potential ordinary shares that occurred after the closing of the financial statements as of December 31, 2017 that would have significantly changed the number of ordinary shares or potential ordinary shares outstanding at the end of the period.
The reconciliation of the weighted average number of outstanding shares for the purpose of calculating the diluted earnings or losses per share from the consolidated income statement and the total consolidated profitability as of December 31, 2017 compared to the previous year is as follows:

Diluited earnings/(loss) per share attributable to the Parent Company	30.09.2016	30.09.2016
(no. ordinary shares)		
Average weighted number of shares outstanding at the end of the year	75.549.615	76.998.135
plus shares necessary for:		
subscription of shares	262.845	-
Potential dilution of ordinary shares	262.845	
Average weighted number of shares outstanding at the end of the year	**75.812.460**	**76.998.135**
Eur		
Net profit/(loss) attributable to the Parent Company	16.850.831	(4.505.929)
Effect of subscriptions of potential new shares	-	-
Net profit/(loss) available for ordinary shareholders plus assumed subscriptions	**16.850.831**	**(4.505.929)**
Eur	-	-
Diluted earnings / (loss) per share	**0,222**	**(0,059)**

49. Consolidated net financial position

According to the Consob Communication of July 28, 2006 and in accordance with the CESR Recommendation of 10 February 2005 "Recommendations for the uniform implementation of the European Commission regulation on information prospects", it should be noted that the Mittel group's net financial position as of December 31, 2017, is negative for EUR 101,1 million (negative for EUR 54,5 million as of September 30, 2016), as shown in the following table:

(Thousands of Euro)	31.12.2017	30.09.2016	Variation
Cash	74	15	59
Other cash equivalents	155.397	84.974	70.423
Securities held for trading (*)	-	6.909	(6.909)
Current liquidity	**155.471**	**91.899**	**63.572**
Current financial receivables	**396**	**32.951**	**(32.555)**
Current bank payables	(13.261)	(71.815)	58.555
Current portion of medium/long-term bank loans	(9.059)	(6.057)	(3.002)
Bonds	(3.072)	(1.310)	(1.763)
Other current financial payables	(94)	-	(94)
Current financial debt	**(25.486)**	**(79.182)**	**53.696**
Net current financial debt	**130.381**	**45.668**	**84.713**
Non-current bank payables	(40.769)	-	(40.769)
- Bank payables expiring in the medium-term	(40.769)	-	(40.769)
- Bank payables expiring in the long-term	-	-	-
Bonds issued	(173.023)	(97.873)	(75.150)
Other financial payables	(17.723)	(2.280)	(15.443)
Non-current financial debt	**(231.515)**	**(100.153)**	**(131.362)**
Net financial position	**(101.134)**	**(54.485)**	**(46.649)**

(*) Available-for-sale assets posted under current assets were reclassified to this item.

In regard to the determination of the net financial position, reference should be made to the report on the management of these financial statements. Furthermore, in compliance with the indications contained in the Consob Communication no. 6064293 dated July 28, 2006 concerning the impact of transactions or positions with related parties on the net financial position, reference should be made to the financial statements drawn up pursuant to Consob resolution no. 15519 dated July 28, 2006. In particular, the items relevant to the net financial position which include balances with related parties are current and non-current financial receivables and non-current financial payables, the details are provided in note 51 of this consolidated financial statement.

50. Commitments and guarantees

As of December 31, 2017, the outstanding guarantees are summarized in the following table:

	31.12.2017	30.09.2016
Guarantees:		
financial	-	-
commercial	10.648.464	10.715.001
assets pledged as collateral	-	-
Commitments:		
disbursement of funds	4.347.332	5.867.339
other irrevocable commitments	2.263.192	3.068.320
	17.258.988	**19.650.660**

The guarantees of a commercial nature are attributable (i) for EUR 4,3 million to the contribution of the real estate sector and are constituted by guarantees for primary urbanization works required by the Municipality of Milan, for EUR 1,3 million, and by the Municipality of Como for EUR 3,0 million; (ii) for EUR 6,0 million to Mittel S.p.A. and mainly refer to sureties in favor of the Revenue Agency for VAT requested for reimbursement and / or offset, for EUR 1,4 million on own account and for EUR 4,6 million on behalf of group companies, (iii) EUR 0,2 million for guarantees given by companies in the RSA sector; (iv) for EUR 27 thousand to Fashion District Group S.r.l. in liquidation, for sureties issued in favor of the Revenue Agency to guarantee VAT credits requested as reimbursement.
The commitments for the provision of funds refer to commitments for payments to be made in private equity funds and foreign investment vehicles and are attributable to Earchimede S.p.A., for EUR 3,1 million and to Mittel S.p.A., for EUR 1,3 million.
The item other irrevocable commitments refers exclusively to the guarantee given during the financial years 2003, 2004 and 2005 in favor of the buyers of the leasing contracts sold by the subsidiary Locaeffe S.r.l. in liquidation.

51. Intercompany transactions and transactions with related parties

In regard to operations with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and the international accounting standard IAS 24, it should be noted that, during the year ended as of December 31, 2017, with these counterparties, transactions were carried out relating to the ordinary activities of the Group and that no transactions carried out were atypical or unusual.

All transactions carried out are regulated at market conditions and refer to:

	Directors, Statutory auditors and internal committees	Associates	Other related parties	Total
Non-current assets				
Financial receivables	0	44.957.404	0	**44.957.404**
Current assets				
Financial receivables	0	0	0	**0**
Sundry receivables and other assets	0	435	24.538	**24.973**
Current liabilities				
Sundry payables and other liabilities	1.236.944	2.618	6.873	**1.262.872**
Income Statement				
Revenue	0	178.941	0	**178.941**
Other income	0	46.015	0	**46.015**
Costs for services	(3.777.757)	0	(4.222.687)	**(8.000.444)**
Personnel costs	(438.010)	(2.437)	0	**(440.447)**
Financial income	0	3.275.703	0	**3.275.703**
Financial expenses	0	0	(1.644)	**(1.644)**

- Non-current financial receivables refer to loans granted by Mittel S.p.A. to Mittel Generale Investimenti S.r.l. (vendor loan) for EUR 24,4 million, from Ghea S.r.l. in Bios S.p.A. for EUR 20,6 million.
- The item "miscellaneous receivables" and "high assets", related to associates, refers to what was claimed by Mittel S.p.A. towards Mittel Generale Investimenti S.r.l. for recharges of various services, while receivables from other related parties refer to the claims of Zaffiro Magnano S.r.l. against Zaffiro Holding S.r.l .
- The item "sundry payables and other current liabilities", referring to associates, refers to the payable to directors and statutory auditors for accrued remuneration still to be paid out and to debts of Mittel SpA. towards Mittel Generale Investimenti S.r.l. for invoices issued. The item liabilities to other related parties refers to invoices received by Gruppo Zaffiro S.r.l. issued by Zaffiro Holding S.r.l ..
- The items Revenues and Other income refer to the charge-back of the administrative and housing services rendered to third parties.
- The item costs for services to statutory auditors and internal committees refers for EUR 3,4 million to Directors' fees, for EUR 0,4 million to fees to the board of statutory auditors. For further details, please refer to the "remuneration report" which will be available in accordance with the law on the company's website www.mittel.it in the "investor relations" section. Costs for services to other related parties mainly refer, for EUR 4.145 thousand, to the charge-back of rents that the companies in the RSA sector receive from Rubino S.r.l. now Zaffiro Holding S.r.l. and for EUR 78 thousand to a consultancy received from a director of the Parent Company.
- The item personnel costs refers to the remuneration of the Group's strategic executives. For further details, please refer to the "remuneration report" which will be available in accordance with the law on the company's website www.mittel.it in "investor relations" section. Personnel costs to associates refer to employees who are Mittel Generale Investimenti S.r.l. lends to Mittel S.p.A..
- The item financial income refers for EUR 1,5 million to the interest income accrued by Mittel S.p.A. towards Mittel Generale Investimenti S.r.l., for EUR 1,7 million to interest accrued on the loan granted by Ghea S.r.l. in Bios S.p.A..

52. Supplementary information on financial instruments and risk management policies

In reference to the supplementary disclosures on financial instruments and related risks required by IFRS 7 and IFRS 13 international accounting standards that are intended to illustrate the impact of financial instruments in respect to the extent of the related risk exposures and the measurement of fair value of financial instruments, details of the determinations and mechanisms that the Group implemented to manage exposure to financial risks are provided below.

52.1 Measurement of fair value

The international accounting standard IFRS 13 defines fair value as "the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the valuation date". In the cases where transactions are directly observable in a market, the determination of fair value can be relatively simple. If they aren't observable, valuation techniques are used which are represented by the "market" approach, this involves the use of prices and other relevant information generated by other transactions involving similar assets and liabilities, from the so-called "income approach", which consists in discounting future cash inflows and outflows, and finally the "cost approach", determined by the entity, a value that reflects the amount that would currently be required to replace the service capacity of an asset.

FRS 13 establishes a fair value hierarchy that classifies the inputs of the measurement techniques adopted to measure fair value into three levels.
The fair value hierarchy assigns the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 data) and the minimum priority to unobservable inputs (Level 3 data).

The levels used in the hierarchy are:

Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the valuation date. The market is defined as active when the prices expressed reflect transactions that occur on a frequent basis and with sufficient volumes to provide information useful for determining the price on an ongoing basis.

Level 2 inputs: these are different variables from the listed prices included in Level 1 that can be observed directly or indirectly for assets or liabilities. These valuation techniques are used if the instrument to be valued is not quoted in an active market. The valuation of the financial instrument is based on prices deductible from the market quotations of identical or similar assets or through valuation techniques whereby all significant values are derived from parameters that can be observed or corroborated on the market.

Level 3 inputs: these are variables that cannot be observed for assets or liabilities. These techniques consist in determining the listing of the instrument through significant use of significant parameters that are not observable but that must reflect the assumptions that market participants would use in determining the price of the asset or liability, including assumptions regarding risk.

For financial instruments outstanding as of December 31, 2017, and for comparative purposes, as of September 30, 2016, the table below shows the fair value hierarchy of financial assets and liabilities that are measured at fair value on a recurring basis (in level 3 including the carrying values of unlisted available for sale financial assets recorded at cost in the absence of an available fair value:

		31 December 2017			30 September 2016	
(thousands of Euro)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Available-for sale assets at fair value:						
Investments at fair value with contra-entry in Other comprehensive profit/(loss)	-	16.488	8.791	4.968	19.249	18.158
Investments at fair value with contra-entry in the Income Statement	-	-	-	-		
Other non-current securities	-	-	-	-		51
Financial assets at fair value held for trading:						
Trading derivatives				-		
Current securities held for trading	-	-	-	2.264		
Total assets	**-**	**16.488**	**8.791**	**7.232**	**19.249**	**18.209**
Other financial liabilities:						
Hedging derivatives	-	-	90	-	-	-
Trading derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**90**	**-**	**-**	**-**

To complete the analysis required by IFRS 13, the types of financial instruments present in the financial statement items as of December 31, 2017, and for comparative purposes, as of September 30, 2016, with the indication of the valuation criteria applied and, in the case of financial instruments valued at fair value, of the exposure (income statement or shareholders' equity) with specific attribution to the fair value category. The last column of the table shows, where applicable, the fair value at the end of the financial year.

(amounts in Eur)

Types of financial instruments	Criteria applied in the meauremen of the financial instruments in the financial statements											
	Financial instruments at fair value											
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortized cost	Unlisted investments measured at cost	Financial statement total as at 31 December 2017	Fair value as at 31 December 2017		
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Livel 1	Livel 2	Livel 3	(B)	(C)	(A+B+C)	Livel 1	Livel 2	Livel 3
ASSETS												
Available-for-sale investments (c)		1.503.000	**1.503.000**						**1.503.000**			n.d.
Available-for-sale investments (a) (d)		23.775.533	**23.775.533**		16.487.628	7.287.905			**23.775.533**		16.487.628	7.287.905
Available-for-sale debt securities (a) (d)		-	**-**			-			**-**			
Non-current financial receivables (b)			**-**				**81.775.748**		**81.775.748**			81.775.748
Other receivables and financial assets (*) (b)			**-**				**145.599**		**145.599**			145.599
Other assets (*)			**-**				**342.397**		**342.397**			342.397
Current financial receivables (b)			**-**				**396.248**		**396.248**			396.248
Held for trading debt securities (d)			**-**						**-**			
Trading derivatives (d)			**-**						**-**			
Trade receivables (*) (b)			**-**				**17.765.435**		**17.765.435**			17.765.435
Current sundry receivables (*) (b)			**-**				**1.941.919**		**1.941.919**			1.941.919
Cash and cash equivalents (*)			**-**				**155.470.983**		**155.470.983**			155.470.983
	-	**25.278.533**	**25.278.533**	**-**	**16.487.628**	**7.287.905**	**257.838.329**	**-**	**283.116.862**	-	16.487.628	265.126.234
LIABILITIES												
Bonds (current and non-current) (b)							**(176.095.674)**		**(176.095.674)**	(176.095.674)		
Financial payables (current and non-current) (*) (b)							**(73.355.699)**		**(73.355.699)**			(73.355.699)
Financial payables (b) (e)							**(140.756)**		**(140.756)**			n.d.
Other financial liabilities (d)	(7.460.000)	(90.196)	**(7.550.196)**		(90.196)	(7.460.000)					(90.196)	
Trade payables (*) (b)							**(16.564.483)**		**(16.564.483)**			(16.564.483)
Sundry payables (*) (b)							**(9.577.844)**		**(9.577.844)**			(9.577.844)
	(7.460.000)	**(90.196)**	**(7.550.196)**	**-**	**(90.196)**	**(7.460.000)**	**(275.734.456)**	**-**	**(275.734.456)**	(176.095.674)	**(90.196)**	(99.498.026)

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Available-for-sale financial assets at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities at amortized cost.
(c) Available-for-sale financial assets comprised of unlisted investments for which the fair value cannot be measured reliably, which are measured at cost, possibly decreased due to impairment.
(d) Financial assets and liabilities at fair value on a recurring basis.
(e) Payables for loans from non-controlling shareholders with undetermined maturity, for which fair value cannot be measured.

Situation as at 30 September 2016

(amounts in Eur)

Types of financial instruments	Criteria applied in the meauremen of the financial instruments in the financial statements											
	Financial instruments at fair value											
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortized cost	Unlisted investments measured at cost	Financial statement total as at 30 September 2016	Fair value as at 30 September 2016		
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Livel 1	Livel 2	Livel 3	(B)	(C)	(A+B+C)	Livel 1	Livel 2	Livel 3
ASSETS												
Available-for-sale investments (c)	-	1.503.000	**1.503.000**	-	-	-	**-**	**1.503.000**	**1.503.000**	-	-	n.d.
Available-for-sale investments (a) (d)	-	40.873.215	**40.873.215**	4.968.345	19.249.512	16.655.358	**-**	**-**	**40.873.215**	4.968.345	19.249.512	16.655.358
Available-for-sale debt securities (a) (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Non-current financial receivables (b)	-	50.773	**50.773**	-	-	50.773	**-**	**-**	**50.773**	-	-	50.773
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**100.176.385**	**-**	**100.176.385**	-	-	99.948.349
Other assets (*)	-	-	**-**	-	-	-	**144.741**	**-**	**144.741**	-	-	144.741
Current financial receivables (b)	-	-	**-**	-	-	-	**26.092**	**-**	**26.092**	-	-	26.092
Investments held for trading (d)	-	-	**-**	-	-	-	**32.950.798**	**-**	**32.950.798**	-	-	32.950.798
Held for trading debt securities (d)	2.264.250		**2.264.250**	2.264.250			**-**	**-**	**2.264.250**	2.264.250	-	-
Trading derivatives (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Trade receivables (*) (b)	-	-	**-**	-	-	-	**8.503.688**	**-**	**8.503.688**	-	-	8.503.688
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**2.553.682**	**-**	**2.553.682**	-	-	2.553.682
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**84.989.558**	**-**	**84.989.558**	-	-	84.989.558
	2.264.250	**42.426.988**	**44.691.238**	**7.232.595**	**19.249.512**	**16.706.131**	**229.344.944**	**1.503.000**	**274.036.182**	7.232.595	19.249.512	245.823.039
LIABILITIES												
Bonds (current and non-current) (b)	-	-	**-**			-	**99.182.965**	**-**	**99.182.965**	104.676.446	-	-
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**80.151.875**	**-**	**80.151.875**	-	-	80.251.084
Other non-current liabilities (b)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Other financial liabilities (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	-	-	-
Trade payables (*) (b)	-	-	**-**	-	-	-	**9.994.168**	**-**	**9.994.168**	-	-	9.994.168
Sundry payables (*) (b)	-	-	**-**	-	-	-	**5.704.773**	**-**	**5.704.773**	-	-	5.704.773
	-	**-**	**-**	**-**	**-**	**-**	**195.033.781**	**-**	**195.033.781**	104.676.446	**-**	95.950.025

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Available-for-sale financial assets at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities at amortized cost.
(c) Available-for-sale financial assets comprised of unlisted investments for which the fair value cannot be measured reliably, which are measured at cost, possibly decreased due to impairment.
(d) Financial assets and liabilities at fair value on a recurring basis.
(e) Payables for loans from non-controlling shareholders with undetermined maturity, for which fair value cannot be measured.

The valuation techniques adopted for measuring fair value*:*

The fair value measurement method defined for a financial instrument is adopted continuously over time and it is only changed following significant changes in the market or subjective conditions of the issuer of the financial instrument.
To complete the analysis required by IFRS 13, additional information on valuation techniques and the inputs used to measure fair value on a recurring basis are provided below:

I. Measurement of the fair value of financial assets and liabilities:

For financial assets and financial liabilities recognised in the financial statements at amortized cost, the fair value is determined in accordance with the following methods:

- for medium / long-term assets and liabilities, the valuation is carried out by discounting future cash flows. The latter is based on the "discount rate adjustment approach" which provides that the risk factors associated with the disbursement of credit are included in the rate used to discount future cash flows;
- for sight assets or liabilities, with a short-term or undetermined maturity and for the first disbursements of financial receivables, the carrying amount recognized net of the analytical write-down represents a good representation of the fair value.

In particular, it should be noted that for financial receivables deriving from financing activities recorded on the basis of amortized cost in the statement of financial position, the reference figures relating to the measurement of fair value are categorized in Level 3 of the fair value hierarchy, and it is estimated by using the discounted cash flow technique. The main inputs used for this assessment are the market discount rates, which reflect the conditions applied in the reference markets for loans with similar characteristics, adjusted to take into account the credit risk of the counter-party.
The nominal value of Cash and cash equivalents generally approximates their fair value considering the short duration of these instruments, which mainly include bank current accounts and time deposits.

The bonds are recorded on the basis of the amortized cost in the statement of the financial position and the related bonds are quoted on an active market so their fair value is measured with reference to the year-end prices. The indication of their fair value is therefore classified in Level 1 of the hierarchy.
The fair value of Other financial payables is included in Level 2 of the hierarchy and is measured by using the discounted cash flow technique. The main inputs used for this assessment are the market interest rates at the end of the year, adjusted to take into account market expectations on the Group's default risk implicit in the quoted prices of the Group's traded securities and the existing derivatives on Group payables.
For financial instruments represented by short-term receivables and payables and for which the present value of future cash flows does not differ significantly from their carrying amount, it is assumed that the book value is a reasonable approximation of the fair value.
In particular, the book value of Receivables and other current assets and Trade payables and Other current liabilities approximates the fair value.

II. The measurement of the fair value of equity securities represented by minority investments recognized in the portfolio of financial assets at fair value held for trading.

The valuations of non-controlling interests recorded in the portfolio of financial assets held for trading refer to the current fair value with recognition of changes in the income statement.
As of December 31, 2017, this category of assets was canceled due to the disposals made during the year.
As of September 30, 2016, 100% of the minority interests recorded in the balance sheet among the assets held for trading were listed on active markets, for which a quote or price was available and was classified in Level 1 of the hierarchy. This category includes the instruments listed on active markets, both Officials and Over the Counter.

III. Measurement of the fair value of equity securities represented by minority investments recognized in the portfolio of financial assets available for sale.

The valuation techniques used to measure the fair value of non-controlling interests recorded in the portfolio of financial assets available for sale include:

- the reference to market values indirectly linked to the instrument to be valued and taken from similar products by risk characteristics (comparable approach);
- valuations made using inputs not taken from parameters that can be observed on the market for which estimates and assumptions made by the evaluator (mark to model approach) are used.

In detail, for the valuation of the fair value of equity securities, the use of different valuation methods is envisaged and foresees the adoption of inputs deriving from direct transactions as in:

- significant transactions on the stock recorded over a period deemed sufficiently short compared to the time of valuation and in constant market conditions,
- the comparable transactions of companies operating in the same sector and with each type of products / services provided similar to those of the investee subject to valuation,

- the application of the average of significant stock market multiples of comparable companies with respect to the economic-equity values of the investee company;
- the application of analytical financial, income and equity valuation methods.

The choice between the aforementioned methodologies is not optional since they must be applied in hierarchical order; priority is given to the official prices available on active markets for assets and liabilities to be measured (effective market quotes) or for similar assets and liabilities (comparable approach) and lower priority to unobservable inputs and, therefore, more discretionary (Mark to model approach).

When incorporating all the factors that operators consider when setting the price, the valuation models developed take into account the financial value of time at the risk-free rate, the risks of insolvency, the volatility of the financial instrument, as well as, exchange rates of foreign currency if necessary.

For subscription shares of private equity funds and foreign investment vehicles, they are valued using the last available NAV through a sufficiently active market (level 2).

In the absence of a regular functioning of the market, for example, when the market does not have a sufficient and continuous number of transactions and volatility is not sufficiently contained, the determination of the fair value of these financial instruments is primarily obtained thanks to the use of valuation techniques to establish the price of a hypothetical transaction that considers assumptions about the risk that the market operators would include in determining the price of the asset or liability, and which also include the risks inherent to a particular valuation technique used and the inherent risk input of the evaluation technique.

Changes in the financial assets measured at fair value *level 3*

In the financial year as of December 31, 2017, there were no transfers of financial assets and liabilities that were measured at fair value on a recurring basis from level 3 to other levels and vice versa resulting from changes in the significant input variables of observable valuation techniques.
With reference to the financial instruments that are classified in the third hierarchical level of fair value, the following is a breakdown of the changes during the year, including the profits / (losses) recorded in the income statement:

(thousands of EUR)	Financial assets	Financial liabilities
As at 30 September 2016	**18.209**	**-**
(Profit) losses recognised in profit or loss	(572)	-
(Profit) losses recognised in other comprehensive income	656	-
Issues/extinctions	(9.502)	90
As at 31 December 2017	**8.791**	**90**

Available-for-sale financial assets measured at level 3 fair value mainly refer to EUR 6,3 million (EUR 11,2 million as of September 30, 2016) for Equinox Two, for EUR 1,4 million (EUR 1,4 million) as of September 30, 2016) to SIA-SSB S.p.A. and for EUR 1,0 million (EUR 1,1 million as of September 30, 2016) to Medinvest International S.A..

52.2 Classifications of financial instruments

Categories of financial assets and liabilities

In reference to additional information on financial instruments and related risks as required by the international accounting standard IFRS 7 aimed at illustrating the impact of the financial instruments with respect to the extent of the related risk exposures, the measures and mechanism the company implemented to manage exposure to financial risks are illustrated in details below.

The additional information required by IFRS 7 is presented below in order to assess the relevance of the financial instruments with reference to the financial position of Mittel Group:

	IAS 39 CATEGORIES				
Financial assets at 31 December 2017	Financial instruments at fair value	Assets held to maturity	Loans and receivables	Available-for-sale financial instruments	Book value
Non-current financial assets:					
Investments	-	-	-	25.278.533	**25.278.533**
Bonds	-	-	-	-	**-**
Other financial assets	-	-	-	-	**-**
Non-current receivables:					
Financial receivables	-	-	81.775.748	-	**81.775.748**
Sundry receivables	-	-	635.379	-	**635.379**
Receivables due from related parties	-	-		-	**-**
Receivables due from customers and other current commercial assets:					
Sundry receivables and other assets	-	-	19.715.831	-	**19.715.831**
Current financial assets:					
Financial receivables	-	-	66.248	-	**66.248**
Sundry receivables	-	-	330.000	-	**330.000**
Other financial assets	-	-	-	-	**-**
Hedging derivatives	-	-	-	-	**-**
Non-hedging derivatives	-	-	-	-	**-**
Cash and cash equivalents					
Bank and postal deposits	-	-	155.470.983	-	**155.470.983**
TOTAL FINANCIAL ASSETS	**-**	**-**	**257.994.189**	**25.278.533**	**283.272.722**

	IAS 39 CATEGORIES				
Financial assets at 30 September 2016	Financial instruments at fair value	Assets held to maturity	Loans and recevaibles	Available-for-sale financial instruments	Book value
Non-current financial assets:					
Investments	-	-	-	37.731.003	**37.731.003**
Bonds	-	-	-	50.772	**50.772**
Other financial assets	-	-	-	-	**-**
Non-current receivables:					
Financial receivables	-	-	100.176.385	-	**100.176.385**
Sundry receivables	-	-	314.973	-	**314.973**
Receivables due from customers and other current commercial assets:					
Sundry receivables and other assets	-	-	4.062.594	-	**4.062.594**
Current financial assets:					
Financial receivables	-	-	27.850.798	-	**27.850.798**
Sundry receivables	-	-	5.100.000	-	**5.100.000**
Other financial assets	2.284.261	-	-	4.625.203	**6.909.464**
Hedging derivatives	-	-	-	-	**-**
Non-hedging derivatives	-	-	-	-	**-**
Cash and cash equivalents					
Bank and postal deposits	-	-	84.974.315	-	**84.974.315**
TOTAL FINANCIAL ASSETS	**2.284.261**	**-**	**222.479.065**	**42.406.978**	**267.170.304**

The table also includes the items “other receivables and other assets” as well as the items “other payables and other liabilities”.

Financial liabilities as at 31 December 2017	IAS 39 CATEGORIES Financial instruments at fair value	 Liabilities at amortized cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	40.769.435	**40.769.435**
Other financial liabilities	-	10.172.356	**10.172.356**
Sundry payables and other liabilities	-	140.756	**140.756**
Bonds	-	173.023.311	**173.023.311**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	22.413.908	**22.413.908**
Trade payables	-	16.507.034	**16.507.034**
Sundry payables	-	9.060.289	**9.060.289**
Bonds	-	3.072.363	**3.072.363**
Other financial liabilities:			
Hedging derivatives	90.196	-	**90.196**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**90.196**	**275.159.452**	**275.249.648**

Financial liabilities as at 30 September 2016	IAS 39 CATEGORIES Financial instruments at fair value	 Liabilities at amortized cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings			-
Other financial liabilities		2.279.610	2.279.610
Sundry payables and other liabilities		477.792	477.792
Bonds		97.873.411	97.873.411
Current liabilities:			
Loans and borrowings from banks and other lenders		77.872.265	77.872.265
Trade payables		3.106.326	3.106.326
Sundry payables		4.958.221	4.958.221
Bonds		1.309.554	1.309.554
Other financial liabilities:			
Hedging derivatives			-
Non-hedging derivatives			-
TOTAL FINANCIAL LIABILITIES	**-**	**187.877.179**	**187.877.179**

52.3 Risk management policies

1. Credit risks

Credit risk represents Mittel Group's exposure to potential losses deriving from the non-fulfillment of the obligations assumed by both commercial and financial counterparties. This risk mainly derives from economic-financial factors, for example from the possibility of a default situation of a counterparty, or from more strictly technical-commercial factors.

The maximum theoretical credit risk exposure for Mittel Group is represented by the carrying amount of the financial assets and receivables recorded in the financial statements. It should be noted that some credit positions are guaranteed by mortgages and liens on securities.
Provisions for doubtful accounts are made specifically on credit positions that present specific elements of risk. On the credit positions that do not have these characteristics, provisions are made based upon estimated average tax due to statistical indicators.

In regard to the credit risk relating to the active components that contribute to the determination of net financial debt, it should be noted that the management of the group's liquidity is based on prudential criteria and is articulated into the following guidelines:

- management of the money market, which is entrusted with the investment of temporary excess cash during the financial year, whose reabsorption is expected to take place within the next twelve months;
- management of the bond portfolio, which is entrusted with the investment of a permanent liquidity level, the investment of that part of liquidity, whose reabsorption for cash requirements is expected to take place after twelve months, as well as the improvement of the average active yield.

In the aim to contain the risk of non-fulfillment of the obligations assumed by the counterparty, the deposits were made in leading banks with high credit quality.
The Group, with a mission to minimizing credit risk, also pursues a policy of diversifying its liquidity investments and assigning credit positions among the various banking counterparties; therefore, there are no significant positions with individual counterparties.

The Group has no exposures to sovereign debts.

Qualitative information

General aspects

Throughout the financial year the Group carries out its activities in the fields of: investments in equity, advisory, real estate and the operating sectors of companies subject to business combinations (RSA, Design and Automotive). Credit risk represents the counterparty default risk with partial or total loss of principal and interest on the credit position.
The analysis of credit risk is decisive for the purposes of the preparation of the financial statement, for the valuation of loans in the portfolio and for the impairment tests required by IAS 39.

The Management and the Control and Risk Committee carry out constant monitoring of risk positions both at the overall level and at an analytical level.
The risk control function performs the measurement of the market risks of the Parent Company and those of the individual companies of the Group, in order to ensure the monitoring of the overall exposure.

Quantitative information

Credit exposures: gross and net values

The following table shows the total gross and net amounts of financial receivables of the Group for the year ended as of December 31, 2017 and for the previous year.t

Reference date	Gross exposure	Specific value adjustments	Net exposure
Total as at 31 December 2017	**267.292.234**	**(29.723.412)**	**237.568.822**
Total as at 30 September 2016	**241.698.589**	**(23.546.318)**	**218.152.271**

The following details shows the trade receivables existing as of December 31, 2017 for trade receivables not yet due (line "To expire") and past due, with indication of the period past due (lines "0-180 days", and "180-360 days "and" Over 360 days "):

	31.12.2017		
	Nominal value	Impairment losses	Net value
Falling due	1.169.303	(17.670)	1.151.633
0-180 days	16.476.424	(159.331)	16.317.093
180-360 days	-	-	-
After 360 days	3.470.331	(3.434.882)	35.449
	21.116.058	**(3.611.883)**	**17.504.175**

The data relating to the financial statements as of September 30, 2016, are shown below.

	30.09.2016		
	Nominal value	Impairment losses	Net value
Falling due	590.432	(2.952)	587.480
0-180 days	197.475	(933)	196.542
180-360 days	1.296	-	1.296
After 360 days	4.529.441	(4.082.360)	447.081
	5.318.644	**(4.086.245)**	**1.232.399**

The positions for which an objective condition of partial or total non-recoverability are recognized they are subject to individual write-down. The amount of the write-down takes into account an estimate of the recoverable flows and the related collection date as well as the fair value of any guarantees.

In reference to the valuation criteria for loans and receivables, it should be noted that these financial assets are subject to impairment if and only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the activities and that the event (or events) has an impact on the estimated future cash flows of the asset.

Expected losses deriving from future events are not included in the impairment estimates, regardless of the probability of occurrence (expected loss). If the presence of an impairment is ascertained, the Group companies proceed with the valuation with reference to each loan when it is singularly significant or becomes such, considering the loans as a whole.

The companies of the Group proceed to calculate the reduction in value, according to rules that differ in the different ways of accounting for loans; in particular, the method for calculating the amount of the impairment applicable to loans and loans recorded at amortized cost requires that the loss due to impairment on loans and receivables or investments held to maturity and recorded at amortized cost is measured as the difference between the carrying amount of the asset and the current value of the estimated future cash flows discounted at the effective original interest rate of the financial instrument.
For accounting purposes, the value of the asset must be reduced directly or indirectly through a provision to a liability fund; the amount of the adjustment is recorded in the income statement for the period.

Cash

The Group's cash and cash equivalents amount to EUR 155,471 thousand (EUR 84,990 thousand as of September 30, 2016) and consist in bank deposits.
When selecting counterparties for the management of temporarily excess financial resources and in the stipulation of financial hedging contracts (derivative instruments), the Group only uses interlocutors with a high credit standing.
In this regard, it should be noted that as of December 31, 2017 there were no significant exposures to risks connected to a possible further deterioration of the overall financial framework.

Guarantees provided

The balance sheet values as of December 31, 2017 relating to the guarantees of a financial and commercial nature issued to the assets granted as collateral in favor of third parties for financial liabilities and irrevocable commitments are shown below:

	31.12.2017	**30.09.2016**
Financial guarantees issued	-	-
Commercial guarantees issued	10.648.464	10.715.001
Irrevocable commitments to disburse funds	4.347.332	5.867.339
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	2.263.192	3.068.320
	17.258.988	**19.650.660**

2. Market risks

Interest rate risk

General aspects

Interest rate risk generally refers to the effects on the income statement and the balance sheet of changes in market rates.

In order to measure and monitor the interest rate risk profile at an individual and consolidated level, reports are produced that ensure the timely monitoring of the performance of the debt stock rates. This reporting system makes it possible to continuously detect the "gap" between the average debt and employment rate and determine the impacts produced by changes in the structure of interest rates on the entire financial statements.

Quantitative information

The following table identifies the carrying amount of financial assets and liabilities:

Distribution according to date of repricing of financial assets and liabilities

Amounts in thousands of Euro

Items/residual duration	Up to 6 months	From after 6 months to 1 year	From after 1 year to 3 years	From after 3 years to 5 years	After 5 years	Undetermined term	Total
Assets							
Debt securities	-	-	-	-	-	-	-
Medium/long-term financial receivables	-	-	25.818	24.817	-	31.141	81.776
Current financial receivables	356	41	-	-	-	-	397
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	356	**41**	**25.818**	**24.817**	**-**	**31.141**	**82.173**
Liabilities							
Non-current bank loans	-	-	39.416	6.175	6.418	-	52.009
Current bank loans	18.525	622	-	-	-	-	19.147
Other financial payables due to related parties	-	-	-	-	-	2.200	2.200
Bonds	3.072	-	43.818	-	129.205	-	176.095
	21.597	**622**	**83.234**	**6.175**	**135.623**	**2.200**	**249.451**
Financial derivatives							
Hedging derivatives	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	(21.241)	**(581)**	**(57.416)**	**18.642**	**(135.623)**	**28.941**	**(167.278)**

The following chart reports data from the past financial year:

Amounts in thousands of Euro

Items/residual duration	Up to 6 months	From after 6 months to 1 year	From after 1 year to 3 years	From after 3 years to 5 years	After 5 years	Undetermined term	Total
Assets							
Debt securities	-	-	-	-	-	-	-
Medium/long-term financial receivables	-	-	40.194	26.605	-	33.378	100.177
Current financial receivables	27.951	5.000	-	-	-	-	32.951
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	27.951	**5.000**	**40.194**	**26.605**	**-**	**33.378**	**133.128**
Liabilities							
Non-current bank loans	-	-	-	-	-	-	-
Current bank loans	77.872	-	-	-	-	-	77.872
Other financial payables due to related parties	-	-	-	-	-	2.280	2.280
Bonds	1.310	-	-	97.873	-	-	99.183
	79.182	**-**	**-**	**97.873**	**-**	**2.280**	**179.335**
Financial derivatives							
Hedging derivatives	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	(51.231)	**5.000**	**40.194**	**(71.268)**	**-**	**31.098**	**(46.207)**

The previous tables are based on the remaining maturities, they are a useful support tool for the quantification of the liquidity risk. When a more specific reference to the interest rate risk is required, on the other hand, reference should also be made to the following tables (in particular those reported in the section on sensitivity analyzes), which detail fixed and floating rate financial assets and liabilities.

Models and other methods for measuring and managing interest rate risk

The interest rate risk is a variable that is strongly taken into consideration by the Group, it inspired current operational choices applied to both the financing instruments as well as loans.
In particular, it should be noted the use, as a main source of loans, for fixed-rate bonds. This strategic choice represents an important risk mitigation factor and entails a modest impact from unexpected changes in interest rates on the economic value of the Parent Company and Group companies.

Risk price

General aspects

Market risk refers to all the risks generated by transactions on the markets regarding financial instruments, currencies and commodities.
Market risks include: position, settlement and concentration risk, with reference to the trading portfolio; from the exchange risk and from the position risk on goods, with reference to the entire financial statements.

Qualitative information

In the current operating reality of the Group, the current and prospective market risk is limited.
In line with the approved strategic lines, the strategies for the current year moved along lines of great prudence and envisaged limiting the trading activity in financial assets, based on a prudent assessment of the risks connected to the current market phase. In particular, the year's activity was put into practice in the form of the disposal of the residual trading portfolio held.

Quantitative information

As indicated in the section on qualitative information, in the reality of the company, the current and prospective market risk is limited, this in consideration of the complete disposal of the trading portfolio and the substantial reduction, compared to previous years of the financial assets available for sale.

Currency risks

General aspects

The exchange risk can generally be defined as the sum of the effects deriving from the changes in the cross currency of the different currencies not belonging to the Euro, on the performance of the company in terms of economic results and cash flows.
The monitoring of the impact of exchange rate in transactions carried out on transferable securities in the various currencies not belonging to the Euro, is possibly realized through a reporting that highlights the overall exposure and the impact on the level of loss in formation .
These indicators are produced daily and made available to the heads of the operating and control units.
At present, the Group has no operations in areas subject to exchange rate risks.

Qualitative/ quantitative information

The Group does not present foreign currency exposures.

Sensitivity analisys

The measurement of the exposure to various market risks is appreciable through a sensitivity analysis as required by the application of IFRS 7; this analysis illustrates the effects induced by a given and hypothesized change in the levels of the relevant variables in the various reference markets (rates, prices, exchange rates) on financial charges and income, and sometimes, directly on equity.

The sensitivity analysis was carried out on the basis of the hypotheses and assumptions reported below:

- sensitivity analysis were carried out by applying reasonably possible variations of the relevant risk variables to the balance sheet values as of December 31, 2017, assuming that these values are representative of the entire year;

- changes in the value of fixed-rate financial instruments, different from the derivative instruments, induced by changes in the reference interest rates, generate an income effect only when they are in line with IAS 39, recorded at their fair value. All fixed rate instruments that are accounted for at amortized cost are not subject to interest rate risk, as defined in IFRS 7;
- changes in value, induced by changes in the reference interest rates of floating-rate financial instruments, other than derivative instruments, which are not part of a cash-flow hedging relationship, generate an impact on financial income and expenses in the financial year; they are therefore taken into consideration in the present analysis.

Interest rate risk - Sensitivity analysis

The change in interest rates on the variable component of debts and liquidity may result in higher or lower financial charges / income. In particular, with regard to the change in interest rates, if as of December 31, 2017, interest rates had been 100 basis points higher / lower than those actually achieved, they would have been recorded in the income statement, higher / lower financial charges, gross of the related tax effect, for approximately EUR 0,6 million.

Breakdown of the financial structure between fixed rate and floating rate

In regard to the breakdown of the financial structure between the fixed-rate component and the variable-rate component, both for liabilities and for financial assets, the following tables are considered.
In their lay-out, the accounting value was taken into account and regarding the financial assets, the intrinsic nature (financial characteristics and duration) of the transactions considered, rather than solely the defined contractual conditions.

Amounts in thousands of Euro **31 December 2017**

	Fixed rate	Variable rate	Total
Bank loans	-	71.156	**71.156**
Bonds	176.095	-	**176.095**
Other financial liabilities	2.200	-	**2.200**
Total	**178.295**	**71.156**	**249.451**

The data relating to the previous year are shown below:

Amounts in thousands of Euro **30 September 2016**

	Fixed rate	Variable rate	Total
Bank loans	-	77.872	**77.872**
Bonds	99.183	-	**99.183**
Other financial liabilities	2.280	-	**2.280**
Total	**101.463**	**77.872**	**179.335**

Amounts in thousands of Euro **31 December 2017**

	Fixed rate	Variable rate	Total
Financial receivables	31.207	50.965	**82.172**
Other financial assets	-	-	**-**
Total	**31.207**	**50.965**	**82.172**

The data relating to the previous year are shown below:

Amounts in thousands of Euro **30 September 2016**

	Fixed rate	Variable rate	Total
Financial receivables	54.325	78.802	**133.127**
Other financial assets	-	-	**-**
Total	**54.325**	**78.802**	**133.127**

The tables above, relate to financial receivables and payables for the current year, they include the value of non-interest bearing receivables and payables considered as fixed-rate.

Effective interest rate

The effective interest rate, for the categories for which it is determinable, refers to the original transaction net of the effect of any derivative hedging instruments.
The disclosure, is provided for classes of financial assets and liabilities, determined by using, as weight for purposes of pondering, the adjusted book value of the value of accruals and adjustments to fair value; this is therefore the amortized cost, net of accruals and any adjustments to fair value due to hedge accounting.

Amounts in thousands of Euro

	31 December 2017		**30 September 2016**	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	155.471	0,44%	84.990	0,18%
Other financial assets	82.172	5,12%	133.127	4,17%
Total	**237.643**	**2,65%**	**218.117**	**2,64%**

Amounts in thousands of Euro

	31 December 2017		**30 September 2016**	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	71.156	(1,95)%	77.872	(2,28)%
Bonds	176.095	(4,53)%	99.183	(6,90)%
Other financial liabilities	2.200	0,00%	2.280	0,00%
Total	**249.451**	**(3,59)%**	**179.335**	**(4,61)%**

Currency risks - Sensitivity analysis

As of December 31, 2017 (as well as of September 30, 2016), there are no active and passive financial instruments denominated in currencies other than the currency of the individual companies, therefore, the exchange rate risk is not subject to a sensitivity analysis.

3. Liquidity risk

Liquidity risk is the risk that the company may be in difficulty in fulfilling future obligations associated with financial liabilities as the availability of financial resources is not sufficient to meet the obligations within the established terms and deadlines.

The Group pursues an objective of adequate financial stability of the sources, in accordance with the defined strategic lines. This need has led Mittel S.p.A. to strengthen, through the bond operation carried out during the year, the medium-term financial indebtedness component, as amply highlighted in other sections of this booklet. In addition, the Group has adequate financial flexibility, including the availability of additional sources or potential sources of financing through the availability of bank and loan lines, used in particular by newly acquired companies.

Please refer to the previous table (in the section on interest rate risk) for a breakdown of the residual maturities of assets and liabilities.

In reference to the maturities of cash flows related to the Group's financial exposure, for liquidity risk purposes, the repayment plan envisaged for medium / long-term indebtedness is particularly important. The risk analysis carried out is aimed, among other things, at quantifying, on the basis of contractual maturities, the cash flows deriving from the repayment of non-current financial liabilities held by the company since they are considered relevant for the purposes of liquidity risk.

For the purposes of a representation of the liquidity risk on the financial exposure of the company deriving from the expected cash flows for the repayment of financial debt and other non-current liabilities, the following shows the development of cash flows related to the payment plan for annual time periods.

Amounts in thousands of Euro	**expiring within 31.12 of the year:**				
	2018	**2019**	**2020**	**After 2020**	**Total**
Bank loans	18.525	622	39.416	-	58.563
Other loans	-	-	-	2.200	2.200
Bonds	7.290	51.015	4.632	135.362	198.299
Derivative financial instruments	-	-	-	-	-
Total	**25.815**	**51.637**	**44.048**	**137.562**	**259.062**

For further information on Mittel Group’s covenants, reference should be made to the management report in the paragraph "Default risk and covenants on debt”.

4. Information on equity

Shareholders have always been concerned with providing the Group with an adequate capital to allow the activities and risk management. For this purpose, during the financial years, it took steps to bring back part of the profits achieved. The objectives of the Parent Company Mittel S.p.A. in the management of capital, are inspired by the Group's ability to continue, at the same time, both to guarantee profitability for shareholders and to maintain an efficient capital structure.

53. Ongoing disputes

It should be noted that some companies of the Group have disputes. The main outstanding causes (i.e. Snia S.p.A. in Extraordinary Administration) are described in the management report, in the paragraph “ongoing litigation".

54. Publishing of the fees for auditing and other non-auditing services pursuant to Consob Issuers' Regulation, art. 149-duodecies

Pursuant to the provisions of art. 149-*duodecies* of the Consob Issuers' Regulation, the chart below shows the information regarding the fees paid to the independent auditors KPMG S.p.A. and to companies belonging to the same network for their services:

1) Auditing services that include:
   - monitoring activity of annual accounts, aimed at the expression of professional judgement
   - monitoring activity of interim accounts
2) Certification services that include tasks with which the auditor evaluates a specific element, the determination of which is carried out by another person responsible for it, through appropriate criteria, in order to express a conclusion that provides the recipient with a degree of reliability in relation to this specific element.
3) Tax advisory service
4) Other services.

The fees shown in the table, pertaining to the 2016-2017 financial year, are those contracted, including any indexing (but not of out-of-pocket expenses, of any supervisory contribution and VAT).
As for the aforementioned provision, the fees paid to any secondary auditors or to the subjects of the respective networks are not included.

Type of services	**Service provider**		**Recipient**	**Fees**
	Independent auditors	**Other entities belonging to the network**		
Auditing	KPMG S.p.A.		Mittel S.p.A.	201,2
Certification services*	KPMG S.p.A.		Mittel S.p.A.	249,5
Tax consultancy services				
Other services - Signing of tax declarations	KPMG S.p.A.		Mittel S.p.A.	3,5
Total				**454,2**

(*) Certifications of Financial Covenants - Certification of Tax Declarations – Comfort Letter – Provisional data

Type of services	**Service provider**		**Recipient**	**Fees**
	Independent auditors	**Other entities belonging to the network**		
Auditing	KPMG S.p.A.		Altre Società del Gruppo Mittel	200,0
Certification services*	KPMG S.p.A.		Altre Società del Gruppo Mittel	58,5
Tax consultancy services				
Other services - Signing of tax declarations - Due Diligence	KPMG S.p.A.		Altre Società del Gruppo Mittel	12,0
Total				**270,5**

(*) Certification of Tax Declarations – Privisional data

Milano, 21 March 2018

for the Board of Directors

The Chairman and CEO

Rosario Bifulco

(Signed on the original)

Annexes and supplementary tables

List of equity investments

Mittel Group
List of investments

	Registered office		Share capital	Nominal value	% Interest	% Availability votes in shareholders' meeting	Business performed	€/000 Book value	Close of the year	€/000 Assets Statements of financial position	€/000 Liabilities Statements of financial positions	€/000 Shareholders' equity	€/000 Last result	€/000 Revenue
Investments														
Direct														
Mittel Generale Investimenti S.r.l.	Milan - Italy	€	17.000.000	1	27,00	27,00	Investment Holding	5.400	30 September	69.428	8.435	60.993	(9.113)	5.575
Bios S.p.A.	Milan - Italy	€	3.000.000	1	34,37	50,00	Investment Holding	49.972	31 December	157.270	74.625	82.645	(39.129)	15
Mit.Fin S.p.A.	Milan - Italy	€	200.000	1	30,00	30,00	Financial	90	31 December	360	93	267	(230)	467
Indirect														
Superpartes S.p.A.	Brescia - Italy	€	331.383		11,89	11,89	Technology	477	31 December	1.138	260	878	8	425
Total								**55.939**						

Statement on the consolidated financial statements pursuant to art. 81-ter of Cosob Regulation no. 11971 dated May 14, 1999 and subsequent amendments and additions

The undersigned Michele Iori, Director in charge of the internal control and risk management system, and Pietro Santicoli, Manager in charge of preparing Mittel S.p.A.'s corporate accounting documents, considering the provisions of art. 154-bis, paragraphs 3 and 4, of the legislative decree dated February 24, 1998, n. 58, attest to the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the establishment of the consolidated financial statements as of December 31, 2017.

Furthermore, it is also certified that the consolidated financial statements as of December 31, 2017:

a) was prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated July 19, 2002;
b)corresponds to the results of the books and accounting records;
c) it is suitable to provide a truthful and correct representation of the equity, economic and financial situation of the issuer and of the group of companies included in the consolidation.

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

Milano, 21 March 2018

Director in charge of the risk management and internal control system

Michele Iori

(signed on the original)

Manager in charge of financial reporting

Pietro Santicoli

(signed on the original)

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Mittel S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Mittel Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Mittel Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Mittel S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of loan assets

Notes to the consolidated financial statements "Accounting policies": section "Loans and receivables (IAS 32 and IAS 39)"

Notes to the consolidated financial statements "Information on the statement of financial position - Assets": Section 7 "Non-current assets: Financial assets"

Notes to the consolidated financial statements "Information on the income statement": Section 44 "Impairment losses on financial assets, loans and receivables"

Notes to the consolidated financial statements "Risk management policies": Section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Financial assets at 31 December 2017 amount to €82.2 million, accounting for 15% of total assets. Net impairment losses on financial assets recognised in profit or loss during the year totalled €9.9 million. Financial assets relate to a limited number of exposures arising from financial transactions carried out by the group companies up to 2013. Measuring financial assets is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees and the impact of macroeconomic variables and risks of the sectors in which the Company's and group companies' customers operate. For the above reasons, we believe that the measurement of financial assets is a key audit matter.	Our audit procedures included: — understanding processes adopted by the Company and group companies to monitor and measure financial assets; — examining the design and implementation of controls and the performance of procedures to assess the operating effectiveness of the controls held to be relevant, with particular reference to the identification of exposures with indicators of impairment and the calculation of the impairment losses; — analysing financial assets tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — checking the appropriate disclosures on financial assets in the consolidated financial statements.

Measurement of property inventories

Notes to the consolidated financial statements "Accounting policies": section "Property inventories (IAS 2)"

Notes to the consolidated financial statements "Information on the statement of financial position - Assets": Section 11 "Property inventories"

Notes to the consolidated financial statements "Information on the income statement": Section 32 "Variations in property inventories"

Key audit matter	Audit procedures addressing the key audit matter
The Group carries out property development transactions, largely of a residential and services nature. The consolidated financial statements at 31 December 2017 include property inventories of €78.3 million, accounting for 14% of total assets. Property inventories are measured with the assistance of external consultants that prepared an appraisal for each property at the reporting date. Estimating the net realisable value of properties is a complex process, principally based on valuation models, parameters and assumptions affected by economic and market conditions that are difficult to predict. For the above reasons, we believe that the measurement of property inventories is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of property inventories, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — holding regular meetings with the Group's property department that reviews the work performed and approves the conclusions reached in the appraisals prepared by the external consultants, in order to analyse the valuation models and the key parameters and assumptions used to estimate the carrying amount of property inventories; — checking the accuracy of the calculations and mathematical algorithms included in the appraisals; — checking the data used to calculate cash flows (e.g., lease payments, local property taxes and insurance) included in the appraisals and their consistency with the accounting records; — checking the reasonableness of the property input data, the models used for the specific valuations and the discount rates, including by reference to the common market valuation practice; we carried out these procedures with the assistance of experts of the KPMG network; — analysing the events after the reporting date that provide information useful for a measurement of property inventories;

Key audit matter	Audit procedures addressing the key audit matter
	— checking the appropriate disclosures on property inventories in the consolidated financial statements.

Recognition of business combinations and purchase price allocation

Notes to the consolidated financial statements "Accounting policies: Consolidation scope – Business combinations"

Notes to the consolidated financial statements "Information on the statement of financial position - Assets": Section 4 "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
In 2017, the Group acquired 75% of the Zaffiro Group, 80% of Ceramica Cielo S.p.A. and 75% of IMC - Industria Metallurgica Carmagnolese S.p.A. ("IMC"). The Company's directors applied the accounting treatment for business combinations provided for by IFRS 3 and, accordingly, identified the acquisition-date purchase price (or consideration transferred) and allocated it ("purchase price allocation" or "PPA"). As permitted by IFRS 3, the acquisitions of Ceramica Cielo S.p.A. and IMC, recognised on a provisional basis since 12 months had not yet elapsed from their acquisition dates, generated the recognition of preliminary goodwill totalling €28.3 million. After the definitive PPA for the acquisition of the Zaffiro Group, the Group recognised goodwill of €39.3 million and a trademark of €1.1 million at 31 December 2017. Due to the materiality of the above business combinations and the complex valuations involved that required a high level of judgement by the Company's directors in measuring the acquired assets and assumed liabilities, we believe that the recognition of the above business combinations and purchase price allocation are a key audit matter.	Our audit procedures included: — for all business combinations (including those for which the PPA was only provisional), understanding the investment process adopted by the directors, analysing the contractual documentation for the acquisitions of the controlling investments and checking the appropriate disclosures in the consolidated financial statements; — for the definitive PPA, i) analysing the valuation approach, assumptions and methods used to measure the fair value of the assets, liabilities and contingent liabilities of the controlling investment in the Zaffiro Group; we carried out these procedures with the assistance of experts of the KPMG network; ii) analysing how the identifiable intangible assets (trademark) had been identified and measured; we carried out these procedures with the assistance of experts of the KPMG network; iii) assessing the appropriateness of the disclosure on the PPA in the consolidated financial statements.

Measurement of intangible assets with an indefinite useful life

Notes to the consolidated financial statements "Accounting policies": Section "Intangible assets (IAS 38)"

Notes to the consolidated financial statements "Information on the statement of financial position - Assets": Section 4 "Intangible assets"

Key audit matter	**Audit procedures addressing the key audit matter**
As a result of certain business combinations carried out during the year, the Group recognised intangible assets with an indefinite useful life of €68.9 million at 31 December 2017, which comprise goodwill of €67.6 million (including €39.3 million recognised on a definitive basis and €28.3 million on a provisional basis, pending the conclusion of the PPA process) and trademarks of €1.1 million. As disclosed in the notes to the consolidated financial statements, in accordance with IFRS 3, the Company's directors allocated the intangible assets with an indefinite useful life to certain cash-generating units ("CGU") they had identified. The directors tested the carrying amount of the goodwill recognised on a definitive basis (€39.3 million) for impairment to identify any impairment losses on the CGU to which the intangible assets with an indefinite useful life had been allocated compared to their recoverable amount. The directors estimated the recoverable amount using the discounted cash flow model. Impairment testing entails complex valuations that require a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account historical cash flows, the general economic performance and that of Group's sector and the directors' forecasts about the Group's future performance;	Our audit procedures included: — understanding the process adopted to prepare the impairment tests approved by the Company's directors; — understanding the process adopted to prepare the Group's business plans approved by the Company's directors; — analysing the criteria used to identify the CGU and tracing the carrying amounts of the assets and liabilities allocated thereto to the financial statements; — analysing the key assumptions used by the directors to determine the CGU's value in use. Our analyses included comparing the key assumptions used to external information, where available; we carried out these procedures with the assistance of experts of the KPMG network; — checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures about intangible assets with an indefinite useful life and the related impairment test.

Key audit matter	Audit procedures addressing the key audit matter
— the financial parameters to be used to discount the cash flows. For the above reasons, we believe that the measurement of intangible assets with an indefinite useful life is a key audit matter.	

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Mittel S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 24 March 2016, the shareholders of Mittel S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 30 September 2016 to 31 December 2024.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Mittel S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Mittel Group at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 5 April 2018

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit

Separate financial statements as of December 31, 2017

Statement of Financial Position (*)

Amounts in Eur

	Notes	31.12.2017	30.09.2016
Non-current assets			
Intangible assets	4	29.797	40.033
Property, plant and equipment	5	3.427.609	3.653.276
Partecipazioni	6	63.280.000	72.862.182
Financial receivables	7	74.287.693	79.248.633
Other financial assets	8	19.184.813	27.775.764
Sundry receivables and other assets	9	160.267	160.267
Deffered tax assets	10	1.493	20.922
Total non-current assets		**160.371.672**	**183.761.077**
Current assets			
Financial receivables	11	70.300.996	94.573.712
Other financial assets	12	-	6.909.464
Current tax assets	13	7.660.758	9.096.939
Sundry receivables and other assets	14	5.877.280	4.758.279
Cash and cash equivalents	15	124.911.283	56.242.667
Total current assets		**208.750.317**	**171.581.061**
Total assets		**369.121.989**	**355.342.138**
Equity			
Share capital		87.907.017	87.907.017
Share premium		53.716.218	53.716.218
Treasury shares		(20.576.471)	(20.576.471)
Reserves		50.866.723	83.728.270
Profit (loss) for the year		(4.592.489)	(30.770.032)
Total equity	16	**167.320.998**	**174.005.002**
Non-current liabilities			
Bond issue	17	173.023.311	97.873.411
Provisions for personnel	18	776.474	831.755
Deferred tax liabilities	19	22.467	206.418
Provisions for risks and charges	20	932.770	902.875
Total non-current liabilities		**174.755.022**	**99.814.459**
Current liabilities			
Bond issue	21	3.072.363	1.309.554
Financial payables	22	11.880.282	75.539.799
Sundry payables and other liabilities	23	12.093.324	4.673.324
Total current liabilities		**27.045.969**	**81.522.677**
Total equity and liabilities		**369.121.989**	**355.342.138**

(*) Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the statement of financial position of Mittel S.p.A. are outlined in the appropriate Statement of Financial Position table shown in the following pages and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements, to which reference should be made.

Income Statement (*)

Amounts in Eur

		31.12.2017	30.09.2016
Revenue	24	804.546	869.689
Other income	25	1.149.246	365.860
Costs for services	26	(5.205.256)	(5.279.060)
Personnel costs	27	(3.946.405)	(3.868.498)
Other costs	28	(2.260.273)	(1.719.841)
Dividends	29	43.230.109	43.731.964
Profit (loss) from management of financial assets	30	7.626.373	7.782.153
Amortization and value adjustments to intangible assets	31	(274.295)	(258.838)
Allocations to the provision for risks	32	(137.925)	(135.977)
Gross operating margin		**40.986.120**	**41.487.452**
Financial income	33	8.460.628	8.139.702
Financial expenses	34	(15.161.325)	(8.944.101)
Value adjustments to financial assets and receivables	35	(10.415.271)	(3.261.028)
Value adjustments to investments	36	(31.228.344)	(68.856.250)
Profit (loss) from trading of financial assets	37	353.809	60.740
Income (loss) before taxes		**(7.004.383)**	**(31.373.485)**
Income taxes	38	2.411.894	603.453
Profit (loss) for the year		**(4.592.489)**	**(30.770.032)**
Earnings (loss) per share (in EUR)	39		
- Basic		(0,061)	(0,400)
- Diluted		(0,061)	(0,400)

(*) Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated income statement of Mittel S.p.A. are outlined in the appropriate Income statement table shown in the following pages and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements, to which reference should be made.

Statement of comprehensive income

Amounts in EUR

	Notes	01.10.2016 31.12.2017	01.10.2015 30.09.2016
Profit (loss) for the year (A)		**(4.592.489)**	**(30.770.032)**
Other comprehensive profit/(loss) that will not be subsequently reclassified to profit (loss) for the year:			
Profits/(losses) from remeasurement of defined benefit plans		70.651	(66.114)
Tax effect relating to Other profits/(losses)		(19.429)	18.181
Total other comprehensive profit/(loss) that will not be subsequently reclassified to profit (loss) for the year, net of taxes (B.1)		**51.222**	**(47.933)**
Other comprehensive profit/(loss) that will be subsequently reclassified to profit (loss) for the year:			
Profits/(losses) from the redetermination of available-for-sale financial assets	16	(427.103)	(5.705.815)
Profits/(losses) from the transfer of available-for-sale financial assets	16	(2.266.042)	(1.037.402)
Release to the income statement of losses for fair value impairment of available-for-sale financial assets	16	-	-
Tax effect relating to other profits/(losses)	16	183.635	77.414
Total other profit/(loss) that will be subsequently reclassified to profit (loss) for the year, net of taxes (B.2)		**(2.509.510)**	**(6.665.803)**
Total other profit/(loss) net of taxes (B) = (B.1) + (B.2)		**(2.458.288)**	**(6.713.736)**
Total comprehensive profit/(loss) (A) + (B)		**(7.050.777)**	**(37.483.768)**

Statement of changes in equity for the financial year ended on December 31, 2017

Amounts in EUR

	Share capital	Treasury shares	Riserve di capitale	Profit reserves	Reserve from remeasurement of defined benefit plans	Reserve from available-for-sale financial assets	Total
Balance as at 1 October 2015	**87.907.017**	**(25.778.526)**	**53.716.218**	**89.061.333**	**(107.248)**	**960.005**	**205.758.800**
Increase in share capital	-	-	-	-	-	-	**-**
Merger operations	-	-	-	(8.647.361)	(1.130)	8.831.051	**182.560**
Transfer of treasury shares	-	8.924.663	-	244.261	-	-	**9.168.924**
Purchase of treasury shares	-	(3.722.608)	-	-	-	-	**(3.722.608)**
Other movements (SARs)				101.094			**101.094**
Dividends distributed	-	-	-	-	-	-	**-**
Total comprehensive profit/(loss)	-	-	-	(30.770.032)	(47.933)	(6.665.803)	**(37.483.768)**
Balance as at 30 September 2016	**87.907.017**	**(20.576.471)**	**53.716.218**	**49.989.295**	**(156.311)**	**3.125.253**	**174.005.002**
Increase in share capital	-	-	-	-	-	-	**-**
Merger operations	-	-	-	-	-	-	**-**
Transfer of treasury shares	-	-	-	-	-	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	**-**
Other movements (SARs)				366.773			**366.773**
Dividends distributed	-	-	-	-	-	-	**-**
Total comprehensive profit/(loss)	-	-	-	(4.592.489)	51.222	(2.509.510)	**(7.050.777)**
Balance as at 31 December 2017	**87.907.017**	**(20.576.471)**	**53.716.218**	**45.763.579**	**(105.089)**	**615.743**	**167.320.998**

Cash flow statement

Amounts in EUR

	30.09.2016	30.09.2016
OPERATING ACTIVITIES		
Net income (loss) for the year	**(4.592.490)**	**(30.770.032)**
Adjustments to reconcile net income (loss) with cash flows generated (absorbed) by operating activities:		
Current taxes	(2.411.894)	(614.331)
Deferred taxes	-	10.878
Depreciation of property, plant and equipment	215.958	155.999
Amortisation of intangible assets	58.337	102.839
Dividends received	(43.230.110)	(43.731.964)
Financial income	(8.460.627)	(8.139.702)
Financial expenses	15.161.326	8.944.102
Capital gains (losses) from transfer of equity securities	(7.042.098)	(6.820.453)
Allocations to provisions for risks	(137.925)	135.977
Provisions for employee severance indemnity and other indemnities	190.327	82.618
Expenses for incentive plan with settlement option throughequity instruments	366.771	101.094
Write-downs of receivables	8.722.195	1.451.246
Losses on receivables	3.190	
Capital gain (loss) from trading activities	(707.618)	(60.740)
Write-downs (write-backs) of available-for-sale financial assets	1.693.076	1.786.318
Write-downs (write-backs) of investments	31.228.344	68.856.250
Cash flows from operating activities before changes in working capital	**(8.943.238)**	**(8.509.901)**
(Increase)/decrease in other current assets	2.725.880	3.882.418
Increase/(decrease) in trade payables and other current liabilities	7.420.001	(690.759)
Cash and cash equivalents generated (absorbed) by operating activities	**1.202.643**	**(5.318.241)**
Uses of provisions for risks and charges	167.820	-
Payments of employee severance indemnity	(184.094)	(148.681)
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES	**1.186.369**	**(5.466.922)**
INVESTMENT ACTIVITIES		
Dividends received from subsidiaries and associates	43.078.408	42.832.434
Dividends received on financial assets	151.701	899.530
Investments in interests for:		
Acquisitions	(26.125.000)	-
Recapitalisations of subsidiaries and associates	(852.561)	(657.133)
Increase in available-for-sale financial assets	(300.299)	(288.361)
Increases in financial assets held for trading	(1.470.000)	(6.061.441)
Other investments (property, plant and equipment and intangible assets)	(56.253)	(3.355.957)
Increases in other non-current assets	-	11.093
Realisation from disposal of:	-	-
Investments	6.700.003	24.500
Equity instruments available for sale	14.824.242	12.467.620
Financial instruments held for trading	4.441.868	10.096.567
Other non-current assets (property, plant and equipment, intangible assets and other)	17.862	45.485
Resulting liquidity by merging companies		5.973.313
(Increase) decrease in financial receivables due from customers and financial institutions	22.052.685	11.002.541
Interest collected	6.919.405	7.027.421
Change in other current financial assets	-	61.536
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES	**69.382.061**	**80.079.146**
FINANCING ACTIVITIES		
Increase (decrease) in payables due to banks and other lenders	(63.659.515)	(51.989.932)
Issue (repayment) of bond loan	74.430.157	
Interest paid	(12.670.456)	(8.298.201)
Purchase of treasury shares	-	(3.722.608)
Transfer of treasury shares	-	9.168.924
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES	**(1.899.814)**	**(54.841.817)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)	**68.668.616**	**19.770.407**
OPENING CASH AND CASH EQUIVALENTS (E)	56.242.667	36.472.260
CLOSING CASH AND CASH EQUIVALENTS (F= D+ E)	**124.911.283**	**56.242.667**

Statement of financial position – pursuant to Consob resolution n. 15519 of July 27, 2006

Amounts in Eur

	Notes	31.12.2017	*of which related parties*	*%*	30.09.2016	*of which related parties*	*%*
Non-current assets							
Intangible assets	4	29.797	-		40.033	-	
Property, plant and equipment	5	3.427.609	-		3.653.276	-	
Investments	6	63.280.000	-		72.862.182	-	
Financial receivables	7	74.287.693	38.921.254	52,4%	79.248.633	46.701.221	58,9%
Other financial assets	8	19.184.813	-		27.775.764	-	
Sundry receivables and other assets	9	160.267	-		160.267	-	
Deffered tax assets	10	1.493	-		20.922	-	
Total non-current assets		**160.371.672**	**38.921.254**	**24,3%**	**183.761.077**	**46.701.221**	**25,4%**
Current assets							
Financial receivables	11	70.300.996	70.234.748	99,9%	94.573.712	90.683.190	95,9%
Other financial assets	12	-	-		6.909.464	-	
Current tax assets	13	7.660.758	-		9.096.939	-	
Sundry receivables and other assets	14	5.877.280	5.159.840	87,8%	4.758.279	2.151.535	45,2%
Cash and cash equivalents	15	124.911.283	-		56.242.667	-	
Total current assets		**208.750.317**	**75.394.588**	**36,1%**	**171.581.061**	**92.834.725**	**54,1%**
Assets held for sale		-	-		-	-	
Total assets		**369.121.989**	**114.315.842**	**31,0%**	**355.342.138**	**139.535.946**	**39,3%**
Equity							
Share capital		87.907.017	-		87.907.017	-	
Share premium		53.716.218	-		53.716.218	-	
Treasury shares		(20.576.471)	-		(20.576.471)	-	
Reserves		50.866.723	-		83.728.270	-	
Profit (loss) for the year		(4.592.489)	-		(30.770.032)	-	
Total Equity	16	**167.320.998**	**-**		**174.005.002**	**-**	
Non-current liabilities							
Bond issue	17	173.023.311	-		97.873.411	-	
Provisions for personnel	18	776.474	-		831.755	-	
Deferred tax liabilities	19	22.467	-		206.418	-	
Provisions for risks and charges	20	932.770	-		902.875	-	
Total non-current liabilities		**174.755.022**	**-**		**99.814.459**	**-**	
Current liabilities							
Bond issue	21	3.072.363	-		1.309.554	-	
Financial payables	22	11.880.282	2.372.378	20,0%	75.539.799	2.680.634	3,5%
Sundry payables and other liabilities	23	12.093.324	2.879.087	23,8%	4.673.324	1.104.082	23,6%
Total current liabilities		**27.045.969**	**5.251.465**	**19,4%**	**81.522.677**	**3.784.716**	**4,6%**
Total equity and liabilities		**369.121.989**	**5.251.465**	**1,4%**	**355.342.138**	**3.784.716**	**1,1%**

Income statement pursuant to Consob resolution n. 15519 of July 27, 2006

Amounts in Eur

		01.10.2016 31.12.2017	*of which related parties*	%	01.10.2015 30.09.2016	*of which related parties*	%
Revenue	24	804.546	797.567	99,1%	869.689	791.764	91,0%
Other income	25	1.149.246	651.786	56,7%	365.860	160.979	44,0%
Costs for services	26	(5.205.256)	(2.317.336)	44,5%	(5.279.060)	(1.775.027)	33,6%
Personnel costs	27	(3.946.405)	(440.447)	11,1%	(3.868.498)	(1.214.602)	31,4%
Other costs	28	(2.260.273)	(2.785)	0,1%	(1.719.841)	(28.481)	1,7%
Dividends	29	43.230.109	43.078.408	99,6%	43.731.964	43.173.234	98,7%
Profit (loss) from management of financial assets and investments	30	7.626.373			7.782.153		
Amortization and value adjustments to intangible assets	31	(274.295)			(258.838)		
Allocations to the provision for risks	32	(137.925)			(135.977)		
Gross operating margin		**40.986.120**			**41.487.452**		
Financial income	33	8.460.628	5.550.853	65,6%	8.139.702	6.485.714	79,3%
Financial expenses	34	(15.161.325)	(15.610)	0,1%	(8.944.101)	(151.571)	1,7%
Value adjustments to financial assets and receivables	35	(10.415.271)			(3.261.028)		
Value adjustments to investments	36	(31.228.344)			(68.856.250)		
Profit (loss) from trading of financial assets	37	353.809			60.740		
Income (loss) before taxes		**(7.004.383)**			**(31.373.485)**		
Income taxes	38	2.411.894			603.453		
Profit (loss) for the year		**(4.592.489)**			**(30.770.032)**		

Explanatory and supplementary notes

1. General information

Mittel S.p.A. (hereinafter also the "Company") is a joint-stock company incorporated in Italy and registered with the Milan Register of Companies.
It is the Parent Company that holds, directly or indirectly through other sub-holding companies, the shareholdings in the companies in the sectors of activity in which Mittel S.p.A. operates.
The address of the registered office is in Piazza Diaz, 7 - Milan.
The main activities of the company and its subsidiaries are indicated in the descriptive section of the Report on Operations.
This separate financial statement is expressed in euros.
Mittel S.p.A., as the Parent Company, also prepared the consolidated financial statements of Mittel S.p.A. as of December 31, 2017.

2. Form and content of the balance sheet

The separate financial statements include: the financial statements (statement of financial position, income statement, comprehensive income statement, cash flow statement and changes in equity), accompanied by the explanatory notes. The income statement was prepared in line with the minimum contents envisaged by IAS 1 - Presentation of financial statements - with the allocation of costs by nature; the Balance Sheet - Financial Statements have been prepared according to the format that shows the breakdown of 'current / non-current' assets and liabilities, and the cash flow statement has been prepared using the indirect method.
The separate financial statements as of December 31, 2017 were prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union as of December 31, 2017, as well as the provisions issued in implementation Art. 9 of the Legislative Decree no. 38/2005. IFRS also includes all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee (“SIC").
The financial statement was prepared on the basis of the general principle of historical cost, modified as required for the valuation of certain financial instruments. The Directors considered that, despite the difficult economic and financial situation, there are no significant uncertainties, as defined in paragraph 25 of IAS 1, on business continuity

3. Significant accounting principles adopted by the parent company

Intangible assets (IAS 38)

Intangible assets are non-monetary assets, identifiable and without physical substance, held to be used in a multi-year or indefinite period. They are recorded at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the asset will be realized and if the cost of the asset can be reliably determined. Otherwise the cost of the intangible asset is recognized in the income statement in the financial year in which it was incurred.
The cost of intangible assets with a defined useful life is amortized on a straight-line basis based on their relative useful life.
If the useful life is indefinite, no amortization is carried out, but only the periodic verification of the adequacy of the carrying value of the fixed assets. The intangible assets generated by software developed internally and acquired by third parties are amortized on a straight-line basis starting from the completion and entry into operation of the applications based on their useful life. At each balance sheet date, in the presence of evidence of impairment, we proceed to estimate the recovery value of the asset.
The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and the recoverable value.
An intangible asset is eliminated from the balance sheet at the time of disposal and if no future economic benefits are expected.

Development costs refer to innovation projects on new products and are recorded among the activities in compliance with the considerations set forth in IAS 38, they are:

- proof of the technical feasibility of the products;
- company's intention to complete the development project;
- reliable estimate of the costs needed for the project;
- recoverability of the values recorded through future economic benefits expected from the result of the development project.

Please note that this item includes intangible assets in progress to be amortized starting from the financial year in which their useful life will begin.

Tangible assets (IAS 16)

Tangible fixed assets are initially recorded at cost which includes, in addition to the purchase price, all possible accessory charges directly attributable to the purchase and commissioning of the asset.
Extraordinary maintenance costs that result in an increase in future economic benefits are recognized as an increase in the value of the assets, while other ordinary maintenance costs are recognized in the income statement.
Tangible assets include instrumental real estate, systems, furniture and furnishings and equipment of any kind.
These are tangible assets held for use in the production or supply of goods and services, to be leased to third parties, or for administrative purposes and which are expected to be used for more than one period.
Property, systems and equipment are valued at cost, less any accumulated depreciation and impairment losses.
Fixed assets are systematically depreciated over their useful life, using the straight-line method as an amortization criterion.
The amortization rates used by the company are as follows:

- Buildings 3.0%
- Motor vehicles 25.00%
- Furniture and furnishings 12.00%
- Electronic machines 33.33%
- Equipment 15.00%.

Land is not subject to depreciation as it is deemed to have an indefinite useful life.
Costs that can be capitalized for improvements to leased third-party assets are attributed to the classes of assets to which they refer to and amortized at the lower between the residual duration of the rental contract and the residual useful life of the nature of the asset to which the improvement is related to. At every balance sheet date, the presence of any signs of *impairment* or indications that show that an asset may have suffered a loss in value must be verified.
In the event of the above mentioned signals, the carrying value of the asset and its recovery value are compared, equal to the greater of the fair value, net of any sales costs, and the relative value in use of the asset, intended as the current value of future flows originating from the asset. Any adjustments are recorded in the income statement. If the reasons that led to the recognition of the loss cease to exist, a recovery in value is made, which cannot exceed the value that the asset would have had, net of the amortization calculated in the absence of previous losses in value.
A tangible fixed asset is eliminated from the balance sheet at the time of disposal.
Gains and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are booked to the income statement for the period.
Improvements to third-party assets are classified as tangible fixed assets, in line with the nature of the cost incurred. The amortization period corresponds to the lower of the residual useful life of the tangible asset and the residual duration of the lease contract.

Investments in subsidiaries and associates (IFRS 10, IAS 27 and IAS 28)

Investments in subsidiaries and associates are recorded at cost adjusted in the presence of impairment losses. The positive difference, emerging at the time of purchase, between the acquisition cost and the share of equity at current values of the investee pertaining to the company is therefore included in the carrying amount of the investment.
Investments in subsidiaries and associates are checked for any loss in value on a yearly base or more if necessary. If there is evidence that these investments have suffered a loss in value, this is recorded in the income statement as a write-down.
In the event that the associates share's loss exceeds the book value of the investment, the company has the obligation or the intention to account for the value of the equity investment and the amount of the additional costs are zeroed, losses are recognized as a provision on liabilities.
If, subsequently, the loss in value ceases to exist or is reduced, a write-back is recorded in the income statement within the limits of the cost.

Other financial assets (IAS 32 and 39)

The item includes financial assets available for sale (non-current assets and current assets) and financial assets at fair value (non-current assets) and financial assets held for trading (current assets), as shown in details below.

Available-for-sale financial assets

The initial recognition of the financial asset takes place on the settlement date for debt or equity securities.
At the time of initial recognition, assets are accounted for at their fair value which corresponds to the prices recorded in active markets and, for unlisted securities, on the valuation of third parties or on internal valuation models generally used in financial practice.
This category includes non-derivative financial assets that are not classified as Financial receivables or Assets at fair value through profit or loss. In particular, this item includes investments not held for trading and not qualifying for control, connection and joint control, and bonds that are not traded. After the initial survey, the assets available for sale continue to be measured at fair value, with the recognition in a specific equity reserve of the gains / losses deriving from the change in fair value, with the exception of losses due to impairment. Equity securities, for which it is not possible to determine the fair value *i*n a reliable manner, are maintained at cost, adjusted against the ascertainment of losses due to impairment.

There are three levels of hierarchy to determine the fair value of financial instruments:

1) Listing on an active, unadjusted market. An active market is defined as one where the shares, compared to normal market transactions, are promptly and regularly available through stock exchanges, brokers, intermediaries, companies dealing in this sector, listing services or authorized bodies. They express the price of effective, adequate, continuous and regular market transactions occurring during a normal reference period.

2) The recognition of fair value through components that can be observed directly or indirectly on a listed market. In the event that there are elements not directly observable on the market and / or rectified, the significance of the same with respect to the fair value is verified to determine whether this fair value can be considered second or third level.

3) The use of estimation methods and valuation models commonly adopted by the international financial community which take into account the specific characteristics of the instrument to be assessed, with particular attention to the different types of risk associated with it and at the same time use values not inferable from the market and involve estimates and assumptions.
The verification of the existence of objective evidence of impairment is carried out at each closing of the financial statements or infra-annual
The amount of any write-down recognized following the impairment test is recorded in the income statement as an operating cost under the item Value adjustments for financial assets and receivables.

If the reasons for the loss in value is removed following an event that occurred after the recognition of the reduction in value, recoveries (write-backs) are made. These recoveries (write-backs) are recognized in equity, in the case of equity securities and in the income statement in the case of debt securities.
Financial assets are cancelled when they are sold, substantially transferring all the risks and benefits associated with them.
At the time of disposal, the effects deriving from the profit or loss accumulated in the reserve relating to available-for-sale financial assets are reverted to the income statement under the item Profits / (Losses) from the management of financial assets and equity investments. Dividends and interest relating to financial assets available for sale are recognized in the income statement.
Financial assets available for sale, according to the assumed timing of realization (within or after twelve months from the closing date of the financial year), are classified in the item current or non-current “Other financial assets”.

Financial assets measured at fair value

This category includes the securities acquired with the aim of being maintained in the medium-long term, and which are specifically designated as "non-current assets" valued at fair value recorded in the income statement ". These assets are measured at fair value with a contra-entry in the income statement. *Impairment* tests must not be carried out on these activities. The accessory costs are charged to the income statement. Purchases and sales of these financial assets are accounted for on the settlement date.

Financial assets held for trading

Initial recognition of financial assets takes place on the settlement date, for debt securities and for derivative contracts. Upon initial recognition, financial assets held for trading are recognized at their fair value which normally corresponds to the amount paid without considering the transaction costs or income directly attributable to the instrument itself, which are instead recognized directly in the income statement.
This category includes debt securities and equity securities acquired mainly for the purpose of obtaining short-term profits as well as the positive value of derivative contracts with the exception of those designated as hedging instruments.
After initial recognition, financial assets held for trading are measured at fair value*,* with the recognition of changes as a contra-entry to the income statement.

There are three levels of hierarchy to determine the fair value of financial instruments:

1) Listing on an active, unadjusted market. An active market is defined as one where the shares, compared to normal market transactions, are promptly and regularly available through stock exchanges, brokers, intermediaries, companies dealing in this sector, listing services or authorized bodies. They express the price of effective, adequate, continuous and regular market transactions occurring during a normal reference period.

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2) The recognition of fair value through components that can be observed directly or indirectly on a listed market. In the event that there are elements not directly observable on the market and / or rectified, the significance of the same with respect to the fair value is verified to determine whether this fair value can be considered second or third level.

3) The use of estimation methods and valuation models commonly adopted by the international financial community which take into account the specific characteristics of the instrument to be assessed, with particular attention to the different types of risk associated with it and at the same time use values not inferable from the market and involve estimates and assumptions.

Financial assets are cancelled when the contractual rights on the financial flows deriving from the assets themselves expire or when the financial asset is sold, transferring substantially all the risks / benefits associated with it.
Profits and losses deriving from the change in the fair value of financial assets are recorded under the item Profit (Loss) from the trading of financial assets in the income statement.

Loans and receivables (IAS 32 and 39)

Receivables include all non-derivative financial assets with fixed or determinable payments that are not listed on an active market, with the exception of:

- those that are intended to be sold immediately or in the short term, which are classified as held for trading and those which, at the time of initial recognition, are designated at fair value through profit or loss;
- those that at the time of initial recognition are designated as available for sale;
- those for which there is the risk of not recovering all the initial investment, not due to the deterioration of the credit. They must be classified as available for sale.

The initial recognition of the receivables takes place when the right to receive payment of the contractually agreed sums is acquired, and therefore at time of payment. The initial recognition value coincides with the fair value of the asset, normally equal to the amount paid, inclusive of the costs / income directly attributable to the individual instrument and determinable from the origin of the transaction, even if liquidated at a later date.
If the recognition in the item "Receivables" occurs following reclassification from financial assets at fair value through profit or loss, then the fair value of the asset at the date of the reclassification represents the initial recognition value.
After initial recognition, receivables are valued at amortized cost, equal to the initial recognition value, net of capital repayments, increased or decreased by value adjustments or recoveries (write-backs) and the amortization is calculated using the effective interest rate method.
The effective interest rate is the rate that equals the present value of future credit flows, per capital and interest, to the amount disbursed including the costs / income directly attributable to the loan.
At the balance sheet date, or interim period, the loans are subjected to an *impairment test,* in order to identify any objective evidence that the loans may have suffered impairment.
If there is objective evidence that a loss is due to impairment of receivables incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset.
The amount of the adjustments is recorded in the income statement.
The original value of the loans is reinstated and registered in the income statement of the subsequent financial years until the reasons that determined the adjustment cease to exist.
Loans are deleted from assets only if (i) the contractual rights on the financial flows deriving from the financial assets expire or (ii) if the Company transfers all the risks and benefits associated with the financial assets.
If it is not possible to verify the substantial transfer of the risks and benefits, the credits are canceled if no form of control is maintained over them. Otherwise, the retention, even in part, of this control entails the maintenance in the financial statements of the loans equal to the residual involvement (continuing involvement). The value of the residual involvement in the transferred receivables corresponds to the extent to which the Company is exposed to changes in the value of the loans themselves.

Credits are classified according to their nature in the following manner:
- financial credits
- different credits and other activities

If at the time of registration, the receivability of the receivable is contractually set beyond the following financial year, they are classified as "non-current" assets. Receivables expiring within the next financial year at an unspecified time are classified under "current" assets.

Cash and cash equivalents (IAS 32 and 39)

Cash and cash equivalents include bank deposits, postal deposits, cash and cash equivalents and other forms of short-term investments, with maturity of three months or less from the origin.
Current account overdrafts are classified as financial payables in current liabilities. The elements included in the cash and cash equivalents are valued at fair value and the related changes are recorded in the income statement.

Non-current assets held for sale (IFRS 5)

Non-current assets held for sale are valued at the lower of their previous net carrying amount and the market value net of their sell costs.
Non-current assets are classified as held for sale when it is expected that their carrying value will be recovered through a sale transaction rather than their use in the company's operations.
This condition is only met when the sale is considered highly probable, the asset is available for immediate sale in its current conditions. For this reason the Management must commit to the sale, which should be completed within 12 months from the date of the item’s classification.
The presentation of the aforementioned assets in the financial statements is identified on a single line of the income statement of the profits and losses net of taxes resulting from the sale. Likewise, assets and liabilities are classified on separate lines of the Balance Sheet.

Derecognition of financial assets and liabilities

Financial activities:

A financial asset (or, where applicable, part of a financial asset or part of a Group of similar financial assets) is removed from the financial statements when:

- the rights to receive cash flows from the asset are extinguished;
- the company retains the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them in full and without delay to a third party;
- the company has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not transferred nor substantially retained all the risks and benefits of the asset, but he has transferred control of it.

In cases where the company has transferred the rights to receive cash flows from an asset and has not substantially transferred nor retained all the risks and benefits or has not lost control over it, the asset is recognized in the company's balance sheet to the extent of its continuing involvement in the activity itself. The continuing involvement that takes the form of a guarantee on the transferred asset is valued at the lower of the initial carrying amount of the asset and the maximum amount of compensation that the company could be required to pay.

Financial liabilities*:*

A financial liability is canceled from the financial statements when the obligation underlying the liability is extinguished, canceled or fulfilled.

Payables and Bonds (IAS 32 and 39)

The first entry of these financial liabilities occurs at the time of signing the contract, which coincides with the time of receipt of the sums collected.
The initial entry is based on the fair value of the liabilities, usually equal to the amount collected or the issue price, adjusted to increase or decrease any additional costs / income directly attributable to the individual funding transaction and not reimbursed to the creditor counterparty. Internal administrative costs are excluded.
After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

Payables, are classified according to their nature in the following manner:
- bond loans;
- financial debts;
- different debts and other liabilities.

If at the time of registration the changeability of the debt is contractually set beyond the following year, they are classified as "non-current" liabilities. Payables due within one year or at an undetermined time are to be classified as "current" liabilities.

Other financial liabilities (IAS 32 e 39)

The initial registration of financial liabilities takes place on the settlement date for both debt securities and derivative contracts.
Upon initial recognition, financial liabilities held for trading are recognized at their fair value which normally corresponds to the amount collected without considering the transaction costs or its income directly attributable to the instrument itself, that are directly allocated to the income statement.
This category includes debt securities and the negative value of derivative contracts with the exception of those designated as hedging instruments.
After the initial recognition, financial liabilities held for trading are measured at fair value, with recognition of changes in return to the income statement.
To determine the fair value of financial instruments quoted on an active market, we use market quotations. In the absence of an active market, estimation methods and generally accepted valuation models are used, which are based on market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounting of future cash flows, pricing models and values recorded in recent comparable transactions.
Financial liabilities are cancelled when they are expired or extinguished even against purchases of the same securities. The difference between the book value of the liability and the amount paid to purchase it is recorded in the income statement.
Profits and losses deriving from the change in the fair value of financial liabilities are recorded under the item profit (loss) from trading of financial assets.

Provisions for personnel (IAS 19)

Severance pay is considered as a defined benefit program.
The benefits guaranteed to employees are recognized monthly with the accrual and paid at time of termination of the employment relationship.
The severance indemnity is set aside on the basis of the seniority reached at the end of the year by each employee in compliance with the laws and labor contracts in force at the balance sheet date.
The provision reflects the actual payables due to employees, on the basis of accrued seniority and the remuneration paid and recalculated on the basis of its actuarial value.
The actuarial valuations adopted are the best estimates regarding the variables that determine the final cost of the services following the termination of the employment relationship.
For the purposes of discounting, the company uses the unit credit projection method which envisages the projection of future payments based on historical statistical analysis, the demographic curve and the financial discounting of these flows on the basis of a market interest rate.
Actuarial gains and losses are recognized in the valuation reserve following the adoption of the accounting standard IAS19 Revised.

Payment agreements based on own equity instruments (IFRS 2)

As part of a medium to long-term incentive plan, agreements are envisaged in favor of Mittel SpA's Chief Executive Officer and part of the management. Payments are based on shares representing the capital and consist in the right to obtain, at the end of the last year of vesting, the monetary equivalent or in shares of the Company at the discretion of the Board of Directors.
In particular, the long-term variable incentive plan is based on the allocation of Stock Appeciation Rights (SARs) whose value depends on the performance of Mittel S.p.A.'s shares. This plan foresees that the

beneficiaries, subject to the fulfillment of the conditions established, can obtain the monetary or equity equivalent of the increase in value of the Company's ordinary share.
The fair value of transactions with share-based payments settled with equity instruments, is recognized as a cost in the income statement under the cost of personnel or services as a compensation to the shareholders' equity in accordance with the accrual principle in proportion to the period in which the service is provided and in consideration of the conditions established by the regulation of incentive Plans that give the Company the option to choose between the cash settlement or the issue of instruments representing capital.

Treasury shares (IAS 32)

Treasury shares in the portfolio are deducted from equity. No profit or loss deriving from the purchase, sale, issue or cancellation of treasury shares is recorded in the income statement. The differences between the purchase and sale price deriving from these transactions are recorded in equity reserves.

Income taxes (IAS 12)

The effects relating to current and deferred taxes calculated in compliance with national tax legislation on the basis of the accruals method are recorded, in line with the methods for recognizing the costs and revenues that generated them, applying the current tax rate.
Income taxes are recorded in the income statement with the exception of those relating to items debited or credited directly to equity.
The provision for income taxes is determined on the basis of a prudent forecast of the current tax burden, the anticipated and the deferred tax burden.
In particular, current taxes include the net balance between current liabilities for the year and current tax assets represented by advances and other tax credits for withholding taxes incurred.
Prepaid and deferred taxes are calculated on the basis of temporary differences - without time limits - between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes.
Prepaid tax assets are recorded in the financial statements to the extent that they are likely to be recovered, they are assessed on the basis of the capacity of the company or of the entire member companies, as a result of the "tax consolidation" option; to continuously generate positive taxable income.
Prepaid and deferred taxes are recorded on the balance sheet by performing the offsets at the same tax level and for each financial year, taking into account the expected repayment time.
In the years in which the temporary deductible differences are higher than the taxable temporary differences, the relative prepaid taxes are recorded in the assets of the balance sheet among the advance tax assets
On the other hand, in the years in which the taxable temporary differences are higher than the deductible temporary differences, the related deferred taxes are recorded under liabilities in the balance sheet under deferred tax liabilities.
Assets and liabilities recorded for prepaid and deferred taxes are systematically assessed in order to take into account any changes in the norms and regulations as well as its rates.
In addition to the allocation of current and deferred / prepaid tax items, the Company monitors, in compliance with IAS 37, any risks that may arise from assessments already notified or in any case from ongoing disputes with tax authorities.

Provisions for risks and charges (IAS 37)

Provisions for risks and charges are carried out only when:
- there is a current obligation (legal or implicit) as a result of a past event
- it is probable that the use of resources will be necessary to produce economic benefits to fulfill the obligation;
- if a reliable estimate can be made of the amount of the obligation.

Where the time element is significant, provisions are discounted. Interest expense accrued on funds discounted are also recorded in the income statement.
The "other provisions" include, if necessary, provisions for presumed losses on litigation, including any revocatory actions; estimated outlays for customer complaints regarding assets; any other estimated outlays for legal or implicit obligations existing at year-end.

Revenue recognition (IAS 18)

Revenues are measured at the f*air value* of the amount received for the sale of products or services.

Sale of products

Revenues from product sales are recognized when all the following conditions are met:
- when the significant risks and benefits associated with the ownership of the assets are transferred to the purchaser;
- when effective control over the assets involved in the transaction and the normal ongoing level of activities associated with ownership ceases;
- when the value of revenues is determined in a reliable manner;
- when the economic benefits deriving from the sale are used by the company;
- when the costs incurred or to be incurred are determined reliably.
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In cases where the nature and extent of the seller's involvement are such that the risks and benefits relating to ownership are not actually transferred, the time of recording the revenues is deferred until the date in which such transfer actually take place.

Service provisions

Revenues from services are recognized only when the results of the transaction can be estimated reliably and in accordance with to the level of completion of the transaction at the balance sheet date.

The results of an operation can be estimated reliably when all the following conditions are met:
- when the amount of revenues can be determined reliably;
- If the company will benefit from the economic benefits deriving from the transaction;
- If the level of completion of the transaction can be measured reliably at the balance sheet date;
- if the costs incurred for the operation and the costs to be incurred to complete it can be determined reliably.

Interests

Interests are recognized “pro-rata temporis” on the basis of the contractual interest rate or the effective interest rate in the case of application of the amortized cost.

Commissions

Commissions for revenues from services are recorded on the basis of the existence of contractual agreements, in the period in which the services were provided.

Royalties

Royalties are recognized on the basis of the accrual principle, as expected in the content of the related agreement.

Dividends

Dividends are recognized when the right to receive payment arises, this normally corresponds to the resolution passed by the Shareholders' Meeting for the distribution of dividends.

Financial guarantees

Issued financial guarantees are initially recognized at fair value. If the financial guarantee is issued in the context of a transaction at market conditions, to a third party to Mittel S.p.A., the initial fair value coincides with the remuneration agreed, unless there is evidence of the contrary.

Subsequently the value of the guarantee is equal to the greater between: (I) the amount determined in accordance with IAS 37; (II) and the initially recorded amount restated according to the *cumulative amortization recognized* method (IAS 18).
Guarantees received that are excluded from the scope of application of IAS 39 and IFRS 4, are accounted for in accordance with paragraphs 10-12 of IAS 8, namely through recording the related cost in the income statement.

Earnings per share (IAS 33)

Basic earning per share is determined by comparing the net profit for the year attributable to holders of ordinary shares of the company to the weighted average number of ordinary shares outstanding during the period.
The diluted earning per share is calculated by adjusting the weighted average number of outstanding ordinary shares in order to take account for all the potential ordinary shares deriving, for example, from the possibility to exercise the assigned stock option plans, which may determine a dilutive effect.

Use of estimates

The preparation of the financial statements and the related notes in application of the IFRS, requires management to make use of estimates and assumptions that affect the values of assets and liabilities in the financial statements and the disclosure relating to potential assets and liabilities at the balance sheet date.The estimates and assumptions used are based on experience and other factors considered relevant. The actual results may therefore differ from these estimates.
The estimates and assumptions are periodically reviewed and the effects of any changes made to them are reflected in the income statement in the period in which the estimate is revised if the revision itself has effects only on that period, or even in subsequent periods if the revision has effects on both the current and future periods.
The items of the financial statements primarily affected by this estimation process are the deferred taxes and the fair value of the financial instruments.
Please refer to the specific areas for more details.

Main sources of uncertainty in making budget estimates

The critical evaluation processes and key assumptions used by Mittel S.p.A. are summarized below in the application process of the IAS / IFRS.

Discretionary choices in the process of applying accounting principles

Portfolio's financial assets available for sale

Portfolio's financial assets available-for-sale undergo an *Impairment test* (assessment of the loss in value dependent on the deterioration of the solvency of issuers) whenever events occur suggesting that the investment suffered a loss in value.

The evaluation procedure is divided into two phases:

- identification of situations of deterioration in the solvency of issuers and identification of impaired assets;
- quantification of losses associated to *impairment* situations.

These losses are equal to the negative difference between the current market value (or, for unlisted instruments, the current value - at the current rates of return of similar investments - expected cash flows) of impaired assets and their book value .
The criteria applied by Mittel S.p.A. to identify a loss in value, distinguishes between debt securities and equities.

Impairment of debt securities

The objective evidence that a debt security suffered a loss in value is traceable on the list of loss events reported in IAS 39.59.
In the case of bonds with a *“rating"*, the deterioration of the creditworthiness of the issuer is assessed; in this regard, it is considered that the obligations that undergo deterioration making them fall in rating classes below the *"Investment grade"* threshold are, reasonably, subject to a devaluation (Impairment) while, in other cases, the deterioration of creditworthiness is assessed with the other available factors.
In the case of bonds, we consider the availability of specialized sources (for example investment indications provided by financial institutions, rating reports, etc.) or information available on "info-providers" (for example: Bloomberg, Reuters, etc.) , through which the relevance of the situation of deterioration of the issuer is determined more accurately.
In the absence of such elements, where possible, reference is made to the listing of bonds similar to that taken into consideration in terms of both the financial characteristics and the standing of the issuer.
In case of financial assets recorded at amortized cost, the *impairment test,* aims at determining whether the estimated value of future cash flows, discounted at the effective rate of original interest, is lower than the carrying amount of the asset.
If the current value, calculated at the original rate of the new expected cash flows, is lower than the carrying amount, an impairment loss must be recorded in the income statement.
In this regard, it should be noted that the impairment test on debt instruments must be based on losses already incurred (incurred loss model) and not simply foreseen.
The *impairment test* according to the setting of the *incurring loss model* always implies a cash flow forecast, but this forecast must be based exclusively on past events and not on expected events that attest the existence of an actual deterioration of the credit quality and therefore a reduction in expected flows (both for losses in capital and in interest).

Impairment of equity securities

With reference to equities classified as *Available for sale*, it is reasonable to assume that the shares in the portfolio are to be devalued before the bonds are issued by the issuing company itself; therefore, the indicators of devaluation of debt securities issued by a company, or the devaluation of such debt securities, are themselves strong indicators of the *impairment* of the equity securities of the same company.
More generally, in order to establish whether there is evidence of *impairment* for an equity security, in addition to the presence of the events indicated by IAS 39.59, and to the considerations previously indicated where applicable, the following two events are to be considered (IAS 39 § 61):
- significant changes with adverse effects on technologies, markets, economic or legal environment related to the issuer, which indicate that the cost of the investment can no longer be recovered;
- a significant or prolonged decline in the fair value of the investment below its cost.

In particular, in quantitative terms, if the fair value of the security is less than 30% compared to the book value or if the time period of a fair value situation is lower than the book value for more than 12 months, we would proceed with the analysis of the fundamentals of the investments and the conditions that had a negative impact on the market trend of the investment in order to keep the investment closely monitored.
On the other hand, if one of the two parameters shown below should occur, it would be necessary to automatically register an impairment:
- Fair Value *of the security is 75% lower than the initial registration value;*
- the continuation of the fair value situation lower than the initial registration load value for a period of time exceeding 20 months.

Regarding investments in equity instruments, the need to recognize *impairment* considers, the following situations individually or jointly:
- If the fair value of the investment is significantly lower than the purchase cost or is significantly lower than that of similar companies in the same sector;

- if the management of the company is not considered of adequate standing and in any case capable of ensuring a recovery in prices;
- if there is a reduction of the "credit rating" from the date of purchase;
- if there is a significant decline in profits, cash flows or in the net financial position of the issuer from the date of purchase;
- if there is a reduction or interruption of the distribution of dividends;
- if an active market for the bonds issued disappears;
  if there are changes in the regulatory, economic and technological environment of the issuer that have a negative impact on the income, equity and financial situation of the same;
- if there are negative prospects of the market, sector or geographical area in which the issuer operates.

For “available-for-sale” financial assets, the *impairment test* is aimed at determining whether the change in the acquisition cost and the current fair value is recoverable or if, on the contrary, a reduction in the value of the asset (Fair Value impairment Test*)* should be considered.
If there is evidence of *impairment* it is necessary to calculate the *impairment* loss and attribute it in the income statement coinciding with the loss accumulated in the balance sheet without seeking further estimates.
In the case of investments recorded at cost, the *impairment test* is based on the estimate of the current value of cash flows at the current market rate and the *impairment test* takes the form of a "discounted cash flow test”.

Recoverable amount of non-current assets

Management periodically reviews the recoverable value of non-current assets, represented by tangible and intangible assets and investments, held and used and assets that must be divested, when facts and circumstances require such review.
This activity is carried out by using estimates on expected cash flows from the use or sale of the asset and appropriate discount rates for calculating the current value.
When the carrying amount of a non-current asset has suffered an impairment loss, the Company recognizes a write-down for the value of the surplus between the book value of the asset and its recoverable value through the use or sale of the same, determined in reference to the most recent Company’s plans.
Given the current economic and financial crisis at national and international macroeconomic level that generated risks of impairment of important company assets and for the purpose of preparing the separate financial statements as of December 31, 2017, in particular, while carrying out the *impairment* test of investments, forecasts on the expected performance for the following year were taken into consideration and the effects of uncertainties emerged regarding the timing originally planned of the process of divestment of equity investments at fair value.

Feasibility of deferred tax assets

As of December 31, 2017, the Company has deferred tax assets deriving from deductible temporary differences.The management recorded the value of active deferred tax assets up to the value for which it is considered likely to recover, taking into account a further worsening of the expected assumptions over a medium-term period and the fact that the net deferred tax assets allocated in this manner, refer to temporary differences / tax losses that can be recovered.
Forecasts are based on the taxable income that can be generated with reasonable certainty given the budget results and the forecasts for the following years that consider the reasonable expectation of implementation of the planned operations.

Receivables

For receivables and other assets, assessments are regularly carried out in order to verify the existence of objective evidence that they suffered a reduction in value.
In particular, the credit assessment takes into account the creditors' solvency as well as the credit risk characteristics that are indicative of the payment capacity of the individual debtor. Any loss in value is recognized as a cost in the income statement for the period.
This category includes non-current receivables and loans, trade receivables and other receivables originated by the company. The estimate on provisions for doubtful debts is based on the expected losses on behalf of

Mittel S.p.A., and is determined on the basis of past experience with similar receivables, losses and collections.

Potential liabilities

The Company is subject to law suits, considering their uncertain nature, it is difficult to predict the entity of the outlay that will derive from such disputes.
Law suits and disputes deriving from complex legal issues are subject to different levels of uncertainty, this includes facts and circumstances related to each case.
The Company establishes a liability for such disputes when it considers probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated.
In the event that a financial outlay becomes possible but the amount cannot be determined, this fact is reported in the notes of the separate financial statement.

Changes in accounting estimates

Pursuant to IAS 8, changes in accounting estimates are recorded in the profit and loss account starting from the year in which they are adopted.
It should be noted that the 2016-2017 financial year was not characterized by any changes in the estimation criteria already applied for the drafting of the financial statement as of September 30, 2016.

Information on the Statement of Financial Position

Non-current assets

4. Intangible assets

They amount to EUR 30 thousand (EUR 40 thousand as of September 30, 2016). The total decrease is EUR 10 thousand compared to the previous year.

The details of the item are as follows:

	Goodwill	Brands	Plant	Concessions and licences	Other	Total
Values as at 01.10.2016				**13.450**	**26.583**	**40.033**
Changes in the year:						
- acquisitions				1.301	46.800	**48.101**
- amortisation				(12.254)	(46.083)	**(58.337)**
Total changes	**-**	**-**	**-**	**(10.953)**	**717**	**(10.236)**
Values as at 31.12.2017				**2.497**	**27.300**	**29.797**

5. Property, plant and equipment

They amount to EUR 3.428 thousand (EUR 3.653 thousand as of September 30, 2016). They decreased by a total of EUR 225 thousand compared to the previous year, mainly due to accounting for operating depreciation for the financial year and, by EUR 18 thousand, as a result of sales during the period.

The details the item are as follows:

	Land and buildings	Investment property	Plant and machinery	Office machines and equipment	Other assets	Total
Value as at 01.10.2016	**3.371.116**			**162.738**	**119.422**	**3.653.276**
Changes in the year:						
- acquisitions				8.153		**8.153**
- disposals					(17.862)	**(17.862)**
- amortisation	(136.282)			(46.506)	(33.170)	**(215.958)**
Total changes	**(136.282)**	**-**	**-**	**(38.353)**	**(51.032)**	**(225.667)**
Values as at 31.12.2017	**3.234.834**			**124.385**	**68.390**	**3.427.609**

6. Investments

They amount to EUR 63.280 thousand (EUR 72.862 thousand as of September 30, 2016). The total decrease is equal to EUR 9.582 thousand.
The details of the item are as follows:

	31.12.2017	30.09.2016
Earchimede S.p.A.	13.500.000	30.000.000
Mittel Investimenti Immobiliari S.r.l.	10.000.000	19.500.000
Mittel Generale Investimenti S.r.l.	5.400.000	5.422.245
Castello SGR S.p.A.	-	5.331.399
Tower 6 Bis S.à r.l.	-	4.153.538
Mittel Advisory S.r.l.	2.000.000	2.000.000
Ghea S.r.l.	2.805.000	2.805.000
Locaeffe S.r.l. in liquidation	2.450.000	2.450.000
Mittel Advisory Debt And Grant S.r.l.	200.000	300.000
Bios S.p.A.	750.000	750.000
Mit.Fin S.p.A.	50.000	150.000
Mittel Design S.r.l.	1.000.000	-
IMC S.p.A.	11.625.000	-
Gruppo Zaffiro S.r.l.	13.500.000	-
	63.280.000	**72.862.182**

The changes in equity investments during the year are shown in the following table:

Name	% interest	Balances 01/10/2016	Purchases and subscriptions	Sales	Dividends and reserves distribution	Profit (loss) pro-rata	Capital gains (losses) from transfer of investments	Impairment	Other changes	Closing balances 31/12/2017
Investments										
Tower 6 bis S.a r.l.	49%	4.153.538						(4.153.538)		0
Ghea S.r.l.	51%	2.805.000								2.805.000
Mittel Investimenti Immobiliari S.r.l.	100%	19.500.000						(9.500.000)		10.000.000
Mittel Advisory Debt & Grant S.r.l.	100%	300.000	852.561					(952.561)		200.000
Liberata S.p.A.	27%	5.422.245							(5.422.245)	0
Mittel Generale Investimenti S.r.l.	27%	0						(22.245)	5.422.245	5.400.000
Castello Sgr S.p.A.	21%	5.331.400		(6.700.003)			1.368.603			(0)
Mit.fin S.p.A.	30%	150.000						(100.000)		50.000
Mittel Advisory S.r.l.	100%	2.000.000								2.000.000
Locaeffe S.r.l. in liquidation	100%	2.450.000								2.450.000
Markfactor S.r.l. in liquidation	100%	0								0
Earchimede S.p.A.	85%	30.000.000						(16.500.000)		13.500.000
Bios S.p.A.	50%	750.000								750.000
Cad Immobiliare S.r.l.	5%	0								0
Mittel Design S.r.l.	100%	0	1.000.000							1.000.000
Mittel Automotive S.r.l.	75%	0	11.627.500						(11.627.500)	0
IMC S.r.l.	75%	0							11.625.000	11.625.000
Zorro S.r.l.	75%	0	13.500.000						(13.500.000)	0
Gruppo Zaffiro S.r.l.	75%	0							13.500.000	13.500.000
										0
Total investments		**72.862.182**	**26.980.061**	**(6.700.003)**			**1.368.603**	**(31.228.344)**	**(2.500)**	**63.280.000**

The change in the value of the investments is determined by the combined effect of:

- an increase by EUR 27,0 million, deriving from: (i) the establishment of new companies, such as Mittel Design S.r.l., Mittel Automotive S.r.l. and Zorro S.r.l., for an amount of EUR 26,1 million. It should be noted that, in the financial year ended as of December 31, 2017, the newly created Mittel Automotive S.r.l. and Zorro S.r.l. were incorporated respectively by the newly acquired I.M.C. S.p.A. and Gruppo Zaffiro S.r.l .; (ii) an increase of EUR 0,9 million due to the waivers of the shareholder loan, in favor of the subsidiary Mittel Advisory Debt and Grant S.r.l., aimed at strengthening the assets of the company itself; based on the results of the financial statements as of December 31, 2017 by Mittel Advisory Debt and Grant S.r.l., a correlated devaluation was made on the investment;
- a decrease by EUR 6,7 million due to the sale of the investment held in Castello Sgr S.p.A. (EUR 6,7 million), which generated a profit from the sale of EUR 1,4 million;
- a decrease by EUR 31,2 million due to changes related to the impairment tests carried out on equity investments, with particular reference to Mittel Investimenti Immobiliari S.r.l. (EUR 9,5 million), Earchimede S.p.A. (EUR 16,5 million), Tower 6 bis S.a.r.l. (EUR 4,2 million) and Mittel Advisory Debt and Grant S.r.l. (EUR 1,0 million); it should be noted that the write-downs of Earchimede and Tower 6 bis (this latter is subject to liquidation at the end of the year) should be read together with substantial

dividend collections by Mittel S.p.A. during the year; in particular, Tower 6 bis distributed total dividends for EUR 27,8 million, while Earchimede distributed part of the share premium reserve for a total of EUR 15,3 million;

- the column other changes (essentially neutral overall) includes the movements related to the reverse mergers of Mittel Automotive S.r.l. in IMC S.p.A., by Zorro S.r.l. in Gruppo Zaffiro S.r.l. and by Liberata S.r.l. in Mittel Generale Investimenti S.r.l..

***Impairment test* for reductions in the recoverable value of investments**

Investments in subsidiaries and associates entered on the basis of the cost criterion are subject to the impairment test on the basis of the rules established by IAS 36.
Based on IAS 36, the recoverable amount is represented by the higher value between the fair value of the investment, net of selling costs and its value in use. Therefore, for the purposes of the *impairment test* of the investments recorded in the separate financial statements, it is necessary to verify that the recoverable value of the investment is higher than its book value.
IAS 36 requires the monitoring of any significant variations with a negative effect in the financial market environment to which the activities of the subsidiaries are directly addressed, taking into consideration the fact that the economic performance of the investments may reasonably result more unfavorable than expected.
Impairment tests were carried out on the investments held by Mittel S.p.A. in relation to which the *impairment* indicators established by IAS 39 and IAS 36 were recorded, which are essentially attributable to the occurrence of events indicating the existence of a significant decrease in expected cash flows for the participatory investment compared to the time of its initial survey.
In particular, in the 2016-2017 financial year, presumptive events of reductions in value were recorded which led to the related value adjustments on investments.
For investments in Earchimede and Tower 6 bis Sarl, the distributions made by the investee companies, recorded in the income statement as a dividend (as required by the standards), constitute a presumptive impairment factor pursuant to IAS 36, resulting in a reduction in equity in the presence of an unchanged holding value.
Similar considerations also apply to operating losses and the resulting erosion of the assets of Mittel Investimenti Immobiliari S.r.l. and Mittel Advisory Debt and Grant S.r.l., which in the case of this last company also requested waivers of loans during the year and beyond the end of the financial year, an incremental contribution of assets.
The particular nature of the impairment indicators detected also objectively determines the criteria for estimating the losses in value simplifying the related procedures.
Impairment tests on the investments reveal losses deriving from the excess carrying value of the investments in the financial statements compared to the recoverable amount for a total of EUR 31,2 million, these are considered as a reduction in the value of the investments by recording impairment losses on the income statement under the item "Adjustments to equity investments" detailed for participatory investment as follows.
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	Book value subject to impairment	*Impairment*	Recoverable value
	Eur	*Eur*	*Eur*
Subsidiaries:			
Earchimede S.p.A.	30.000.000	(16.500.000)	13.500.000
Mittel Investimenti Immobiliari S.r.l.	19.500.000	(9.500.000)	10.000.000
Tower 6 bis S.a.r.l.	4.153.538	(4.153.538)	
Mittel Advisory Debt & Grant S.r.l.	1.152.561	(952.561)	200.000
Mit.fin S.p.A.	150.000	(100.000)	50.000
	54.956.099	**(31.206.099)**	**23.750.000**

Impairment of the controlling interest in the capital of Earchimede S.p.A.

In regard to the 85,01% stake in Earchimede S.p.A., it is noted that the investee closed the financial statements as of December 31, 2017, drawn-up in accordance with the national accounting standards, with a loss for the financial year by EUR 3,6 million. (EUR 6,4 million loss as of September 30, 2016).
The equity of Earchimede S.p.A. as of December 31, 2017, amounted to EUR 15,7 million (EUR 37,4 million as of September 30, 2016). The company deals in private equity funds / vehicles as well as shareholdings.
In regard to the holding business, we report the investment held in Fashion District Group S.r.l. in liquidation, for a stake of 66.67% of the share capital, equally held either directly or through the wholly owned subsidiary FD33 S.r.l .
The loss resulting from the draft financial statement as of December 31, 2017 was determined by the recognition of write-downs of equity investments and securities recorded under current assets for a total of EUR 5,7 million.
The write-downs refer to the investments held in Fashion District Group S.r.l. in liquidation, for a total of EUR 5,0 million, in Medinvest International S.A., for EUR 0,1 million, and in Opera 2 Partecipations S.c.a., for EUR 0,6 million
Regarding to Medinvest International S.A. and Opera 2 Partecipations S.c.a., the write-downs were made in reference to their latest available net book values, considered representative of their respective economic values.
For the participation in Earchimede, as indicated in the introduction, the substantial distribution of share premium reserves carried out during the year (for a total of EUR 18,0 million), accounted for by Mittel S.p.A. (for the pertinent portion) to the income statement as a dividend (as envisaged by the standards), constitutes a presumptive impairment factor in accordance with IAS 36, resulting in a reduction in shareholders' equity in the presence of an unchanged holding value.
Therefore, Mittel S.p.A. decided to subject the value of the investment to impairment testing to identify impairment, assuming a recoverable reference value which, in the absence of a direct fair value expressed as official quotations in an active market, took into consideration an estimate of the value in use of the investment.
This value in use was estimated as the sum of the parts of the current value of the flows expected at the current market rate, which can be generated by the investment in Earchimede S.p.A. and available to the investor, including an expected flow deriving from the sale of the investment.

In particular, according to this methodology, the value of the economic capital of a company (Equity Value) is equal to the sum of:

- the value of the operating assets (so-called *Enterprise Value*) represented by the recoverable value (fair value or value in use) of the investments in subsidiaries considering the results deriving from specific internal assessments of the respective fundamental value and the current fair value of the financial assets represented by capital instruments;
- the market value of any "Surplus assets" not related to ordinary operations or not considered, for any specific methodological reasons, in operating cash flows;
- The "Net Financial Position" of the company expressed on the basis of financial assets at market values as of December 31, 2017.

As we are evaluating various assets that are different from one another and with different development characteristics, both from an operational and a temporal point of view, we used the assessment method as the sum of the parts.
This method is not exactly an evaluation criterion, but a technical approach, which is useful when what needs to be evaluated does not have its own "economic" uniqueness and homogeneity as in the case of holding companies (such as Earchimede S.p.A.), which only have value when summing the assets at the market values of the assets held.
In the valuation by "sum of parts", each party constitutes a business characterized by a distinct risk and return profile, even if within the same group, not opting for an assessment of the various legal entities in a stand-alone perspective.

The valuation of individual assets was carried out by adopting valuation methods that are case by case coherent with the type of asset, for example, with the flow of available information, or rather, with the existence or not of a reliable prospect to estimate the generation of income flows from the activity.
Based on these assumptions, the value in use of the equity investment in Earchimede S.p.A. was mainly determined by considering the results of an *impairment test* as of December 31, 2017, made on the investment of greater significance, on the invested capital, represented by the investment in the Fashion District Group S.r.l. in liquidation held either directly or indirectly, through the total holding in FD33 S.r.l..
In particular, as of 31 December 2017, in the aim to verify the *impairment* test carried out, the book value of the equity investment in the capital of Fashion District Group was compared with a recoverable amount of the same investment measured by adopting an equity valuation approach.
This equity method was considered satisfactory in the particular valuation process in question (in which the prospective view is not essential or characterized by significant uncertainty), as it determines the value of a company through exposure to current values of the individual assets, which make up the capital of the company and the updating of its passive elements, limiting itself essentially to a correction of the current accounting data, while it would have been inappropriate to use valuations carried out on the basis of income or financial methods that use prospective income flows expected after the realization of the program for the disposal of the group of assets related to the real estate complexes.

The equity method adopted determined the recoverable value of the investment in Fashion District Group S.r.l. in liquidation through the exposure to current values of the individual assets that make up the capital of the company and the updating of its passive elements, aimed at obtaining the c.d. "Adjusted net capital", which refer to the items recorded only and exclusively for reference.
On the basis of the considerations mentioned above, the value of the Economic Capital of the company of Earchimede SpA was estimated in total, around EUR 16,0 million.

Therefore, the recoverable value of the 85.01% stake in Earchimede S.p.A. is assumed to be equal to the proportional value of its economic capital and it approximately amounts to EUR 13,5 million.

From the comparison between the greater accounting value of the equity investment in Earchimede S.p.A. recorded at cost and the related recoverable value, determined with reference to the aforementioned recoverable value as of December 31, 2017, there was a write-down of 16.5 million euros which was recorded in the income statement under the item "Value adjustments to equity investments”.

***Impairment test* of the controlling interest in the capital of Mittel Investimenti Immobiliari S.r.l.**

In regard to the investment in Mittel Investimenti Immobiliari S.r.l., the company operates in the real estate sector, holding investments in the residential, service, commercial and industrial sectors both directly and through investee companies.
Mittel Investimenti Immobiliari S.r.l.’s financial year ended as of December 31,2017 it shows a loss by EUR 7,6 million compared to a loss of EUR 12,7 million for the financial year ended as of September 30, 2016.
The loss for the year is affected by the value adjustments attributable to the investee companies for a total of EUR 7,8 million (compared to a write-down of EUR 10,2 million in the previous year).
The adjustments for the year are mainly attributable to the Gamma Tre S.r.l. (EUR 1,9 million), Santarosa S.r.l. (EUR 1,4 million), Iniziative Nord Milano S.r.l. (EUR 1,4 million), Fede S.r.l. (EUR 1,1 million), Cad Immobiliare S.r.l. (EUR 0,9 million), MiVa S.r.l. (EUR 0,5 million), Breme S.r.l. (EUR 0,5 million) and Regina S.r.l. (EUR 0,1 million), as a result of the valuation of the recoverable value of the investments, carried out on the basis of the net assets of the companies, which incorporate the valuations of the real estate inventories held by these.
The valuation of the properties held by the aforementioned subsidiaries was carried out with the support of an external valuer.

Shareholders' equity as of December 31, 2017, amounted to EUR 10,3 million compared to EUR 17,9 million for the year ended as of September 30, 2016. This change was due to the effect of the loss recorded as of December 31, 2017.
Given the significant loss for the year and the occurrence of presumed *impairment* events, the cost value of the investment underwent, at the end of the year, an impairment testing pursuant to IAS 36.
Therefore, Mittel S.p.A. decided to subject the value of the investment to *impairment* testing to identify impairment.This consists in assuming a recoverable reference value which, in the absence of a direct fair value as expression of official quotation in an active market, takes into consideration an estimate of the valuation of the economic capital of the investment estimated in reference to its value in use.

In particular, for the purposes of *impairment* testing, the recoverable amount of the equity investment was estimated by using an economic capital valuation approach, determined as the sum of the parts of the net asset value of the individual entities of the group of companies owned by Mittel Investimenti Immobiliari Srl.
According to this method, the value of the economic capital of a company (Equity Value) is equal to the sum of:

- the value of operating assets (so-called Enterprise Value) represented by the current use value and the current comparative market value of the real estate portfolio of the companies belonging to the group of companies controlled by Mittel Investimenti Immobiliari S.r.l. considering the results of the specific appraisals of the external valuer of the respective estimated expected value or current fair value;
- the market value of any surplus assets not inherent to ordinary operations or not considered, for any specific methodological reasons, in the operating cash flows of the companies belonging to the group of companies controlled by Mittel Investimenti Immobiliari S.r.l .;
- the "Net Financial Position" of the companies belonging to the group of companies controlled by Mittel Investimenti Immobiliari S.r.l. expressed on the basis of financial assets at market values as of December 31, 2017 (in order to carry out an "equity side" valuation).

The economic value attributed to the various real estate initiatives that make up the real estate portfolio of the group companies headed by Mittel Investimenti Immobiliari S.r.l., was determined mainly on the basis of future financial flows that can be generated from the sale of the properties, with particular reference to the presumed current realizable value of the real estate initiatives intended for sale.
In particular, for the "real estate development" projects, the criteria adopted by the external expert envisaged the use of the Transformation Method which is based on the discounting, at the date of the estimate, of the cash flows generated by the real estate operation in the time frame corresponding to its duration, taking into account, through the use of appropriate discounting rates, the financial components and the business risk of the transaction (considering factors such as: sale time, location, age, quality and condition of the buildings and payment methods) in line with forecasts on the trend of the real estate sector (as estimated by the most important sources in the sector).
Cash flows used are gross of taxes and of the financial structure; therefore, the discount rate is a weighted average of the gross tax return rates of the debt and of the capital required by the market to invest in the property being valued.
In particular, the cost of capital is the minimum return that the market requires to invest in real estate, considering the operational risk, the cost of the debt and the financial structure.
To determining the cost of capital, we considered the operating risk as being an expression of the volatility of operating cash flows, this derives primarily from the possibility that the real estate may be unable to achieve the expected income and it consists in several specific risk factors, depending on of the different real estate transaction (risk of "real estate sector", risk of "localization", risk of "type of real estate", risk on the "physical state of the property" and "commercial" risk).
Specifically, the value in use for a single real estate initiative as determined by the assessments made, was therefore estimated by using the following main assumptions for the calculation of the cost of capital: discount rate falling within a range for real estate initiatives under construction which fluctuates from 10,19% to 12,32 %, while for real estate initiatives that are already completed fall in a range between 5,71% and 6,73% which considers a free risk money cost of 2,09% and a connected premium for operational risk. This operating risk includes a basic risk premium of 3,0% and the various "specific" risk factors determined on the basis of the intrinsic risk of the referring real estate project.
The comparison between the greater carrying amount of the investment in Mittel Investimenti Immobiliari S.r.l. recorded at cost and the related recoverable value determined with reference to the above-mentioned value in use as of December 31, 2017, amounting to EUR 10,0 million, resulted in a write-down of EUR 9,5 million that was recorded to the income statement under the item "Adjustments of value of investments “.

***Impairment* of the controlling interest in the capital of Mittel Advisory Debt and Grant S.r.l.**

Mittel Advisory Debt and Grant Srl (hereafter referred to as "MADG") has historically been active in providing advice on finding alternative or complementary funding sources to the banking system, these also include subsidized loans and non-repayable grants to support growth plans and business development. This activity constitutes a specific branch of the consulting activities defined as the business of *"Debt and Grant Advisory”.*
On October 28, 2016, MADG finalized with the shareholders of the company Ethica Corporate Finance S.p.A. (a company providing consultancy in relation to M & A distress operations and debt restructuring for medium / small businesses) an extraordinary operation to integrate the whole of the consulting activities aimed at specifically setting up the business of "Debt and Grant Advisory" and identifiable with the business

branch called "Debt and Grant Advisory" of MADG and the business segment called "Ethica Debt Advisory" of Ethica Corporate Finance S.p.A..
This operation was carried out through the conferment of the respective autonomous business units designed to configure the business of the "Debt and Grant Advisory" in the company Cerca S.r.l. (renamed Ethica & Mittel Debt Advisory S.r.l., whose capital was fully controlled by MADG as of October 3, 2016). Therefore, MADG and Ethica Corporate Finance transferred the company Ethica & Mittel Debt Advisory S.r.l. the organized group of assets and liabilities attributable to the respective business units related to the activity of "Debt and Grant Advisory".
In particular, it should be noted that MADG and Ethica Corporate Finance S.p.A. defined a value for the respective contributions aimed at satisfying an overall increase in the share capital of the transferee, to allow a breakdown of the share capital held by the transferring parties on the basis of a 51% stake due to MADG and of 49% due to Ethica Corporate Finance S.p.A..
As a result of the extraordinary transaction described above, MADG's business was primarily characterized by the management of the pre-existing advisory mandates, mainly carried out through *servicing* on behalf of the subsidiary Ethica & Mittel Debt Advisory S.r.l. in virtue of a specific contract signed as part of the transaction.
Moreover, the management of the balance sheet items continued throughout the year (essentially the pre-existing trade receivables or the commissions accrued on the existing mandates), the management of two previous legal disputes (one of which closed transactionally during the year and the other in the course of closure) and the downsizing of the structure (with the exit of a manager not included in the scope of the transfer of the business branch).
These activities led to the onset of net operating costs, mainly non-recurring, which resulted in a loss by EUR 1,0 million for the financial year as of December 31, 2017.
This loss was considered an evident presumptive factor in the need for *impairment* of the recorded value of the investment at the end of the financial year.
Furthermore, with reference to the presumption of *impairment* expected from IAS 36, it should be noted that the onset of a significant change in the management and the downsizing of the organization of the company are to be considered as having a critical influence on the prospective economic performance of the company.
Therefore, and on the basis of the aforementioned evidence of presumption of *impairment,* the value of the total investment in Mittel Advisory Debt and Grant S.r.l., increased by the waiver of the interest-bearing loan for EUR 0,9 million, amounting to a total of EUR 1,2 million, it was tested to establish the recoverable value.
Since the fair value of the investment is not available, the recoverable value of the investment was determined by taking into consideration the prospect of realization of the balance sheet items, adjusted to consider the economic value of the 51% investment held by Ethica & Mittel Debt Advisory S.r.l., prudentially determined based on the economic performance of the subsidiary and on its income prospects.
In accordance with the above considerations, the value of the economic capital of the company (equity value) of Mittel Advisory Debt and Grant S.r.l. was estimated at EUR 0,2 million. Therefore, by comparing the greater carrying amount of the investment Mittel Advisory Debt and Grant S.r.l., there was a write-down of the investment by EUR 1,0 million, which was recorded in the income statement under the item "Value adjustments to equity investments".

***Impairment* of the connecting share in the capital of Mit-Fin S.p.A.**

Mit-Fin S.p.A. is a company related to Mittel S.p.A., it holds 30% of the capital. The company is active in the advisory sector and as of December 31, 2017 it had a shareholders' equity of approximately EUR 300 thousand, pertaining to Mittel S.p.A. by EUR 90 thousand.
In view of the persistence in recent years of a situation characterized by the non-translation of revenues from consulting activities into significant operating margins and cash flows for shareholders, as of December 31, 2017, the carrying amount of the company had a write-down of EUR 100 thousand. As a result of the *impairment* loss identified as of December 31, 2017, the investment charged was of EUR 50 thousand.

***Impairment* of the investment in Tower 6 bis S.a.r.l.**

During the financial year, Tower 6 bis S.a.r.l., following the full sale of the previously held Livanova securities, distributed its assets to shareholders and was liquidated near the closing date of the financial year. Mittel S.p.A. recorded the distributions as dividends and depreciated the carrying value of the investment solely as a result of the aforementioned complete distribution of the company's assets. The participation is therefore canceled as of December 31, 2017.

7. Financial receivables

They amounted to EUR 74.288 thousand (EUR 79.249 thousand as of September 30, 2016). They decreased overall by EUR 4.961 thousand.

	31.12.2017	30.09.2016
Loans	74.287.693	79.248.633
Other receivables		
Security deposits		
	74.287.693	**79.248.633**

	31.12.2017	30.09.2016
- Loans - financial institutions	10.000.000	10.000.000
- Loans - customers	64.287.693	69.248.633
	74.287.693	**79.248.633**

The reduction of approximately EUR 5,0 million in the item is explained by the net effect of: (i) disbursements of shareholder loans to vehicles used for acquisitions for a total of EUR 15,6 million, attributable for EUR 9,2 million to Mittel Design S.r.l., vehicle used for the acquisition of Ceramica Cielo S.p.A., and for EUR 5,3 million to Mittel Automotive S.r.l. (subject to reverse merger in the target company in IMC S.p.A.); (ii) net reductions for receipts and interest by EUR 8,1 million; (iii) adjustments for a total of EUR 8,7 million.
The receivable from financial institutions is entirely explained by the EUR 10,0 million receivable due from Fondo Augusto, managed by Castello SGR S.p.A.

8. Other non-current financial assets

They amounted to EUR 19.185 thousand (EUR 27.776 thousand as of September 30, 2016). They decreased overall by EUR 8.591 thousand.

The details of the item are as follows:

	31.12.2017	30.09.2016
Available-for-sale financial assets		
Equities and fund units	19.184.813	27.724.992
Bonds	-	50.772
Derivative financial instruments	-	-
Financial assets at fair value	-	-
	19.184.813	**27.775.764**

Available-for-sale Financial assets

The item primarily includes instruments representing the equity of companies registered as financial assets available for sale and is composed as follows:

	31.12.2017	30.09.2016
Available-for-sale financial assets		
Equities and fund units:		
Fondo Augusto	12.509.141	13.840.178
Fondo Cosimo I	2.938.673	3.760.259
Equinox Two S.c.a.	2.236.999	3.985.219
SIA - SSB S.p.A.	1.400.000	1.400.000
Nomisma S.p.A.	100.000	100.000
CreditAccess Asia N.V. (former Micro Venture Finance Group S.A.)	-	990.000
Fondo Progressio Investimenti	-	5.593
Lu-ve S.p.a.	-	164.710
MC-link S.p.A.	-	97.416
Frendy Energy S.p.A.	-	38.092
Lu-ve S.p.a. warrant	-	22.914
Società Editoriale Vita S.p.A.	-	7.659
Istituto Atesino di Sviluppo S.p.A.	-	3.312.953
Bonds:		
Editoriale Vita S.p.A. 4%	-	50.772
	19.184.813	**27.775.764**

The change in available for sale financial assets during the financial year is shown in the following table.

Name/company name	Amounts as at 01/10/2016	Purchases and subscriptions	(Drawdowns) Reimbursements	Capital gains (losses)	Write-downs for impairment	Fair value adjustments	Value as at 31/12/2017
Equities and fund units:							
Fondo Augusto	13.840.178				(1.331.037)		12.509.141
Fondo Cosimo I	3.760.259				(188.203)	(633.383)	2.938.673
Equinox Two S.c.a.	3.985.219		(1.830.834)		(123.665)	206.279	2.236.999
SIA - SSB S.p.A.	1.400.000						1.400.000
Nomisma S.p.A.	100.000						100.000
CreditAccess Asia N.V. (già Micro Venture Finance Group S.A.)	990.000		(990.000)				-
Fondo Progressio Investimenti	5.593		(50.747)	45.154			-
Lu-ve S.p.a.	164.710		(185.695)	20.985			-
MC-link S.p.A.	97.416		(97.710)	294			-
Frendy Energy S.p.A.	38.092		(32.644)	(5.448)			-
Diritti Frendy Energy	-	43	(43)				-
Lu-ve S.p.a. warrant	22.914		(25.306)	2.392			-
Società Editoriale Vita S.p.A.	7.659		(6.623)	(865)	(171)		-
Istituto Atesino di Sviluppo S.p.A.	3.312.953		(3.011.776)	(301.177)			-
Bonds:							
Editoriale Vita S.p.A. 4%	50.772		(772)		(50.000)		-
	27.775.764	**43**	**(6.232.150)**	**(238.665)**	**(1.693.076)**	**(427.104)**	**19.184.813**

The main movements of the item detailed above, refer in particular to:

- the decrease by EUR 6,232 thousand was mainly due to (i) the disposal of shares held in Credit Access Asia N.V. (EUR 990 thousand): this last transaction led to the release of the positive valuation reserve by EUR 605 thousand to the income statement; (ii) the sale of the shares held in Istituto Atesino di Sviluppo S.p.A. (EUR 3.012 thousand): as a result of the release to the income statement of the positive valuation reserve at the end of the previous year, the transaction positively contributed to the result of Mittel S.p.A., for a total of EUR 668 thousand (amount net of the capital loss EUR 301 thousand recorded in accordance to the balance sheet value at the beginning of the year, as shown in the table of changes

above); (iii) the sale of the shares held in Lu-ve S.p.A. (EUR 186 thousand); (iv) the distribution carried out by Equinox Two S.c.a., for an amount equal to EUR 1.831 thousand;
- the effect of impairment losses, amounting to EUR 1.693 thousand, mainly attributable to the Augusto Fund (EUR 1.331 thousand) to the Cosimo I Fund (EUR 188 thousand), to Equinox Two S.c.a. (EUR 124 thousand) and the Editoriale Vita S.p.A. (EUR 50 thousand); to this is added the entry to fair value adjustments, negative, also attributable to the Cosimo I Fund (EUR 633 thousand) and only partially offset by the increase in fair value relating to Equinox Two S.c.a. (EUR 206 thousand).

Impairment write-downs, on the amount of equity investments, are due to the recognition of objective evidence of reduction of their recoverable value, following the occurrence of loss events with effect on future cash flows that can be reliably estimated, or in the presence of a significant or prolonged reduction in the fair value of the investee investment compared to its original cost.

The detail of the *impairment* of financial assets available for sale is as follows:

Amounts in thousands of Euro	
Fondo Augusto	1.331.037
Fondo Cosimo I	188.203
Equinox Two S.c.a..	123.665
Società Editoriale Vita S.p.A.	171
Obbligazioni Società Editoriale Vita S.p.A.	50.000
	1.693.076

Losses due to reductions in the recoverable value of equity securities

The *impairment test* of the financial assets of the available-for-sale portfolio represented by equity instruments is aimed at determining whether the variation between the acquisition cost and the current fair value of the financial asset is recoverable or if, on the contrary, it should be considered as a reduction in the value of the asset.
For equity instruments, the recognition of losses due to *impairment* is determined following the verification of objective evidence of the loss in value of the financial assets incurred in the case of loss events specifically indicated by IAS 39.59, applicable individually or jointly, to the following situations:

- the fair value of the investment is significantly lower than the purchase cost or is significantly lower than that of similar companies in the same sector;
- if the management of the company is not considered of adequate standing and in any case capable of ensuring a recovery in prices;
- if the reduction of the *"credit rating"* is revealed from the date of purchase;
- if there is a significant decline in profits, cash flows or in the net financial position of the issuer from the date of purchase;
- if there is a reduction or interruption of the distribution of dividends;
- if an active market disappears for the bonds issued;
- if there are changes in the regulatory, economic and technological environment of the issuer that may have a negative impact on its income, equity and financial situation;
- if there are negative prospects of the market, sector or geographical area in which the issuer operates.

Furthermore, in order to establish whether there is evidence of an impairment risk for equities, in addition to the presence of the events indicated above, they should be considered as indicative assumptions of significant increases in the estimated future financial flows of the financial asset, as well as the occurrence of risk situations attributable to:
- significant changes with adverse effects on technologies, markets, economic or legal environment relative to the issuer which indicate that the cost of the investment can no longer be recovered;
- a significant or prolonged decline in the fair value of the investment below its cost.

-
Therefore, the need to recognize a lasting loss of value considers, individually or jointly, situations such as: a significant decline in profits, cash flows or in the net financial position of the issuer from the date of purchase, changes in the economic and technological context of the investee company that may have a negative impact on its current and prospective income, equity and financial situation.
In particular, when these events occur, if the fair value of the security is less than 30% compared to the carrying amount or the time period of a fair value *l*ower than the carrying amount of more than 12 months, we proceed with an analysis of the fundamental economic values of investments and, in general, of the conditions that negatively influenced the investment's market performance so as to keep the investment closely monitored.
Furthermore, the automatic recording of an *impairment* is supported when there is a significant or prolonged decline in the fair value of the investment below its cost, supported by one of the two following parameters:,

- *Fair Value of the security 75% lower than the initial registration value;*
- the continuation of the fair value situation lower than the initial carrying amount for a period exceeding 20 months.

On the basis of these criteria, if there is evidence of *impairment*, the estimate of the loss considered irrecoverable, should be charged to the income statement, corresponding to the loss accumulated by the asset.
In particular, upon the occurrence a loss from *impairment*, the write-down of the financial asset is recorded as a reduction of the revaluation reserve recorded in equity up to the same amount and then eventually in the income statement for the residual difference.
Furthermore, in reference to equities where a previous impairment loss had already been identified, the determination of the loss still takes into account the "original cost" of the investment and not the value determined as a result of the previous reduction.
Therefore, the "significant" and "prolonged nature" of the decrease in fair value, causing a loss due to the reduction in value, must be transferred to the income statement and compared to the original cost of the investment and the duration of the period in which it fell below the original cost
In this regard, as a result of the recognition of objective evidence of irrecoverable losses in value on equity securities, the income statement for the various financial assets was recorded as detailed below:

Amounts in thousands of Euro

	Purchase cost as at 30.09.2016 net of previous impairment	Increases (decreases) in the year	Purchase cost as at 31.12.2017 net of previous impairment	Fair value as at 30.09.2016	Cumulated change in fair value on Equity as at 30.09.2016	Fair value as at 31.12.2017	Cumulated change in fair value on Equity as at 31.12.2017	Write-down to income statement
			A			*B*	*C*	*D= B-A-C*
Impairment due to long-lasting reduction in fair value with respect to the cost of equities:								
Fondo Augusto	13.841	-	13.841	13.841	-	12.509	-	(1.331)
Impairment due to significant reduction in fair value with respect to the cost of equities:								
Società Editoriale Vita S.p.A.	7	(7)	-	8	-	-	-	-
Irrecoverable impairment commensurate with the fundamental economic value of equities:								
Fondo Progressio Investimenti	6	(6)	-	-	-	-	-	-
Bond Editoriale Vita	50	-	50	-	-	-	-	(50)
Frendi Energy S.p.A.	60	(60)	-	38	(22)	-	-	-
Mc Link S.p.A.	97	(97)	-	97	-	-	-	-
Lu-ve	165	(165)	-	165	-	-	-	-
Fondo Cosimo I	3.011	-	3.011	3.760	749	2.939	116	(188)
Equinox two Sca	3.669	(1.831)	1.838	3.985	316	2.237	522	(123)
	20.906	**(2.166)**	**18.740**	**21.894**	**1.043**	**17.685**	**638**	**(1.693)**

With reference to the shares in Fondo Augusto and Fondo Cosimo I, to the bonds of Editoriale Editoriale S.p.A. and to the equity investment in Equinox Two S.c.a., it should be noted that, as of December 31, 2017, reductions in their current recoverable value (estimated on the basis of criteria that reflect their respective fundamental economic value) were recognized and charged to the income statement, as follows:

- devaluation of the Augusto Fund by EUR 1.331 thousand, recognized in the income statement by applying IAS 39, (in the presence of previous losses in value that had already led, in previous years, the reversal to the income statement of the negative valuation reserve accrued);
- write-down of the Cosimo I Fund by EUR 188 thousand, recognized in the income statement by applying IAS 39, (in the presence of impairment losses recorded in the current year, prior to the closing of the same, which had already led to the reversal to the income statement of the negative valuation reserve accrued);
- devaluation of Equinox Two S.c.a. by EUR 123 thousand;
- devaluation of Editoriale Vita S.p.A.'s Bonds by EUR 50 thousand.

9. Sundry receivables and other assets

The item "Non-current other receivables and other assets" amount to EUR 160 thousand (same value as of September 30, 2016), mainly refers to the usufruct on a share (EUR 143 thousand) and receivables from the tax authorities requested as reimbursement from companies liquidated and assigned to Mittel S.p.A. at the time of final allotment (EUR 15 thousand).

	31.12.2017	30.09.2016
Tax receivables	15.362	15.362
Other receivables	144.741	144.741
Other assets	164	164
	160.267	**160.267**

10. Deferred tax assets

They amount to EUR 1 thousand (EUR 21 thousand as of September 30, 2016) they shows a decrease by EUR 20 thousand during the financial year.

The details of the item are as follows:

	31.12.2017	30.09.2016
Tax assets recognised in profit or loss	-	-
Tax assets recognised in Equity	1.493	20.922
	1.493	**20.922**

	31.12.2017	30.09.2016
Deferred tax assets		
Assets/liabilities held for trading	-	-
Investments	-	-
Property, plant and equipment/intangible assets	-	-
Allocations	-	-
Other assets/liabilities	1.493	20.922
Receivables	-	-
Losses carried forward	-	-
Other	-	-
	1.493	**20.922**

As already described in the corresponding section of the consolidated financial statements, it should be recalled that the tax losses relating to the companies participating in the Mittel tax consolidation, net of offsetting made for financial statements as of December 31, 2017, amounted to EUR 51,8 million.
Mittel has not provided for the allocation of deferred tax assets on tax losses.

The table below shows the changes throughout the year:

Tax assets recognised in profit or loss:

	31.12.2017	30.09.2016
Opening Balance	**-**	**-**
Increases	**-**	**2.674**
Deferred tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	2.674
Decreases	**-**	**(2.674)**
Deferred tax assets cancelled in the period:	**-**	**(2.674)**
- reversals	-	(2.674)
Decreases in tax rates	-	-
Other reductions	-	-
	-	**-**

Tax assets recognised in equity:

	31.12.2017	30.09.2016
Opening Balance	**20.922**	**2.098**
Increases	**-**	**18.824**
Deferred tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	18.824
Decreases	**(19.429)**	**-**
Deferred tax assets cancelled in the period:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other reductions	(19.429)	-
	1.493	**20.922**

Current assets

11. Financial receivables

They amount to EUR 70.301 thousand (EUR 94.574 thousand as of September 30, 2016). The total decreased by EUR 24.273 thousand.

The details of the item are the following:

	31.12.2017	30.09.2016
Loans	70.300.996	94.573.712
Other receivables		
Security deposits		
	70.300.996	**94.573.712**

	31.12.2017	30.09.2016
Loans - financial institutions		57.377
Loans - customers	70.300.996	94.516.335
	70.300.996	**94.573.712**

Changes in the item customer loans	
Opening balance	**94.516.335**
collections in the year	(33.169.962)
disbursements	5.850.641
interest accrued	3.956.543
waivers due to recapitalisation	(852.561)
Closing balance	**70.300.996**

The item consists mainly of outstanding loans with Mittel Investimenti Immobiliari S.r.l. for EUR 65,5 million, Markfactor S.r.l. in liquidation for EUR 0,8 million and Ghea S.r.l. for EUR 4,0 million.
The item *disbursements* refers to the increase in loans granted to Mittel Investimenti Immobiliari S.r.l. (EUR 5,5 million) and Markfactor S.r.l. in liquidation (EUR 0,3 million).

The significant decrease is mainly attributable to the collections referable to the receivables claimed from Ghea S.r.l. and Mittel Investimenti Immobiliari S.r.l..

12. Other current financial assets

Not present as of December 31, 2017, they amounted to EUR 6.909 thousand as of September 30, 2016.

	31.12.2017	30.09.2016
Bonds	-	-
Equity instruments	-	6.909.464
Derivative financial instruments	-	-
	-	**6.909.464**

The item "Equity instruments ", which included the listed shares held by the company in the previous year, was completely eliminated as a consequence of the full disposal of the securities during the year. In particular, during the financial year the item underwent the following movement.

	31.12.2017	30.09.2016
Equity instruments:		
opening balance	6.909.464	2.088.558
purchases	1.770.255	5.975.944
Mittel Partecipazioni Stabili S.r.l. merger	-	13.956.130
sales	(12.680.150)	(7.209.762)
Mittel Partecipazioni Stabili S.r.l. merger impairment – valuation reserve	-	(6.155.003)
Mittel Partecipazioni Stabili S.r.l. merger impairment – Income Statement	-	(1.287.741)
Impairment – Income Statement	-	(406.533)
profit (loss)	4.000.431	(52.129)
	-	**6.909.464**

13. Current tax assets

They amount to EUR 7.661 thousand (EUR 9.097 thousand as of September 30, 2016). They decreased overall by EUR 1.436 thousand
The item is mainly represented by the residual IRES credit, for a total of EUR 6.645 thousand, relating to receivables from the tax authorities deriving from withholding taxes, from advances paid by Mittel S.p.A. and from its subsidiaries included in the tax consolidation, as well as from the IRAP credit, of EUR 1.016 thousand, mainly due to the tax benefit deriving from the recalculation of the IRAP taxable base for the 2011/2012 financial year, following the reply of the Tax Authorities on the applicability, to the exercise in question, of the regulations provided for in paragraph 9 of article 6 of the Legislative Decree no. 446/1997 for industrial holdings.

The decrease in the IRES receivable is essentially due to the utilization in compensation, made directly by Mittel S.p.A. or by transfer to subsidiaries, upon tax payment by F24 model, while the increase is attributable to the withholding taxes incurred during the year by Mittel and the companies belonging to the tax consolidation.

	31.12.2017	30.09.2016
IRES (corporate income tax)	6.644.570	8.080.751
IRAP (regional business tax)	1.016.188	1.016.188
Other taxes	-	-
	7.660.758	**9.096.939**

The movements of the item are shown below:

	31.12.2017	30.09.2016
Opening balance	**9.096.939**	**12.359.770**
Increases	**275.478**	**596.964**
Current tax assets recorded in the year:	**275.478**	**73.988**
- relating to previous years	-	-
- other	275.478	73.988
Other increases	-	522.976
Decreases	**(1.711.659)**	**(3.859.795)**
Current tax assets cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	(1.711.659)	(3.859.795)
	7.660.758	**9.096.939**

14. Sundry receivables and other assets

They amount to EUR 5.877 thousand (EUR 4.758 thousand as of September 30, 2016). They increased overall by EUR 1.119 thousand.

The details of the item are as follows:

	31.12.2017	30.09.2016
Trade receivables	382.152	300
Receivables from leases	-	-
Other tax receivables	379.862	2.085.082
Other receivables	4.955.610	2.329.400
Accrued income and prepaid expenses	159.656	343.497
	5.877.280	**4.758.279**

The item "Trade receivables" increased by EUR 382 thousand compared to September 30, 2016, refers to invoices issued in December 2017 to Group companies for services rendered.

The item "Other tax receivables" refers to VAT receivables due from the tax authorities, requested as reimbursement for an amount equal to EUR 350 thousand.

The item "Other receivables", equal to EUR 4.956 thousand (EUR 2.329 thousand as of September 30, 2016), increased over the previous year by EUR 2.627 thousand and mainly includes receivables from group companies for taxes, VAT and other charges.

The item "Accrued income and prepaid expenses" includes accruals for EUR 26 thousand (EUR 95 thousand as of September 30, 2016) and prepayments on future contractual fees for EUR 133 thousand (EUR 248 thousand as of September 30, 2016).

15. Cash and cash equivalents

Cash and cash equivalents, amount to EUR 124.912 thousand (EUR 56.243 thousand as of September 30, 2016), include the liquidity held by the company and investments in bank deposits and bank certificates due within three months and therefore considered readily convertible into cash.

	31.12.2017	30.09.2016
Cash	6.263	7.955
Bank and postal deposits	124.905.020	56.234.712
	124.911.283	**56.242.667**

For the evolution of cash and cash equivalents, please refer to the financial statement of the separate financial statement.

Equity

16. Equity

Shareholders' equity amounts to EUR 167.321 thousand (EUR 174.005 thousand as of September 30, 2016) down by EUR 6.684 thousand compared to September 30, 2016.

The structure of the shareholders' equity is shown in the following table:

	31.12.2017	30.09.2016
Share capital	87.907.017	87.907.017
Legal reserve	16.760.462	16.760.462
Treasury shares	(20.576.471)	(20.576.471)
Share/holding premium reserve	53.716.218	53.716.218
Valuation reserves	510.655	2.968.942
Other reserves	33.595.606	63.998.866
Profit (loss) of previous years		
Profit (loss) for the year	(4.592.489)	(30.770.032)
Equity	**167.320.998**	**174.005.002**

Nature/description	amount	possibility of use	Available portion	Summary of uses made in three previous years: To cover losses	Summary of uses made in three previous years: For other reasons
Share capital	87.907.017				
Capital reserves:					
Share premium reserve	53.716.218	A,B,C	53.716.218		
Other:					
- surplus from share swap	949.931	A,B	949.931	(9.268.346)	
- revaluation reserve pursuant to Law no. 72/1983	2.372.917	A,B	2.372.917		
- revaluation reserve pursuant to Law no. 413/1991	43.908	A,B	43.908		
Treasury shares	(20.576.471)		(20.576.471)		
Profit reserves;					
Legal reserve	16.760.462	B	16.760.462		
Other:					
- extraordinary reserve	-	A,B,C	-	(39.333.835)	
- HOPA merger reserve	37.826.065	A,B,C	37.826.065	(30.770.032)	
- merger MPS/MPM reserve	(8.647.361)		(8.647.361)		
- taxed provision for future risks and expenses	774.685	A,B,C	774.685		
- SAR's reserve	467.865				
- FTA	4.676	A,B,C	4.676		
- Reserve from sale of treasury shares	(197.080)		(197.080)		
Valuation reserve	510.655	B	510.655		
Profit of the year and carried forward	-	A,B,C	-	(22.173.718)	
Total reserves	**84.006.470**		**83.538.605**		
Undistributable portion			21.458.814		
Residual distributable portion			62.079.791		

Key: A, for share capital increase - B, to cover losses - C, for distribution to shareholders

The changes in shareholders' equity throughout the year are detailed in the table previously attached.

Share capital

The share capital is represented by a number of 87.907,017 ordinary shares with a par value of EUR 1.00. Please note that following the effectiveness of the merger by incorporation of Tethys SpA and Hopa S.p.A., with effective as of January 5, 2012, the share capital of Mittel S.p.A. increased by 17,402,512 shares with a nominal value of EUR 1.00 each. The outstanding capital as of December 31, 2017, net of treasury shares held by the Company, is equal to 75.549.615 shares.

Own shares

As of December 31, 2017, the Company holds treasury shares equal to 12,357,402, unchanged from the amount held as of September 30, 2016.

Valuation reserves

The valuation reserve is related (i) for EUR 616 thousand to the fair value adjustment of financial assets, represented by equity securities, classified as available for sale net of the related tax effects and (ii) for EUR 105 thousand negative, to the reserve established following the evaluation of the Employee Severance Indemnity based on IAS 19

The breakdown and changes in the exercise of the valuation reserve referred to in point (i) are as follows:

Fair value measurement reserve	Value as at 1.10.2016	Fair value changes		Release of reserve to the income statement for fair value impairment	Release of reserve to the income statement for transfers of financial assets	Deffered tax	Value as at 31.12.2017
		Increases	Decreases				
Fondo Progressio	-						-
Fondo Progressio II	-						-
Fondo Cosimo I	543.358	-	(633.382)	-	-	183.635	93.611
Fondo Augusto	-	-	-	-	-	-	-
Equinox Two	315.854	206.279	-	-	-	-	522.133
MC-Link S.p.A.	-	-	-	-	-	-	-
MC-Link S.p.A. warrant	-	-	-	-	-	-	-
Editoriale Vita S.p.A.	-	-	-	-	-	-	-
Frendy Energy S.p.A.	-	-	-	-	-	-	-
Lu-ve S.p.A.	-	-	-	-	-	-	-
Warrant Lu-ve S.p.A.	22.598	-	-	-	(22.598)	-	-
CreditAccess Asia N.V. (già Micro Venture Finance Group S.A.)	604.797	-	-	-	(604.797)	-	-
Intesa Sanpaolo S.p.A.	669.603	-	-	-	(669.603)	-	-
Ubi Banca Scpa	-	-	-	-	-	-	-
Isa S.p.A.	969.044	-	-	-	(969.044)	-	-
	3.125.254	**206.279**	**(633.382)**	**-**	**(2.266.042)**	**183.635**	**615.744**

Non-current liabilities

17. Bond issue

The item "Bond Loans", recorded for the respective tax liabilities, in current and non-current liabilities is as follows:

	31.12.2017	30.09.2016
Current portion	3.072.363	1.309.554
Non-current portion	173.023.311	97.873.411
	176.095.674	**99.182.965**

As fully described in the report on operations (to which reference should be made for more information on transactions carried out during the year), as of December 31, 2017 there are two separate bond loans, both listed on the electronic bond market (“MOT"):

- "Mittel S.p.A.'s loan 2013-2019 ": fixed rate bond at 6,00%, expiring on July 14, 2019 and six-month coupon payment, represented by residual 50.349.973 bonds with a nominal value of EUR 0,88 , for a total nominal counter-value of EUR 44.307.976 ;
- "Mittel S.p.A.'s loan 2017-2023 ": fixed rate bond at 3.75%, expiring on July 27, 2023 and six-month coupon payment, represented by 144,709,182 bonds with a nominal value of EUR 0,895, for a total nominal counter-value of EUR 129,514,718.

As of December 31, 2017, the carrying amount of liabilities for Bond Loans is composed as follows:

	31.12.2017	30.09.2016
"Mittel S.p.A. 2017-2023" TF 3,75% bonds		
Current portion	2.089.090	-
Non-current portion	129.205.282	-
Total "Mittel S.p.A. 2017-2023" TF 3,75% bonds	**131.294.372**	**-**
"Mittel S.p.A. 2013-2019" TF 6% bonds		
Current portion	983.273	1.309.554
Non-current portion	43.818.029	97.873.411
Total "Mittel S.p.A. 2013-2019" TF 6% bonds	**44.801.302**	**99.182.965**
Total bonds	**176.095.674**	**99.182.965**

The table below shows the differentials between the nominal values of the loans (including the coupon matured as of December 31, 2017) and the book values of the same for each bond loan. This difference is due to the application of the amortized cost method. The differentials shown provide the residual measure of capitalized costs on liabilities that will be recognized as financial charges in the years following the effective interest rate, as required by IAS 39.

	31.12.2017	30.09.2016
Current portion		
"Mittel S.p.A. 2013-2019" TF 6% bonds (maturing coupon)	983.273	1.309.554
Non-current portion		
"Mittel S.p.A. 2013-2019" TF 6% bonds (redemption value)	44.307.976	99.853.522
Total nominal repayment	**45.291.249**	**101.163.076**
Measurement at amortized cost	(489.947)	(1.980.111)
Total book value	**44.801.302**	**99.182.965**

	31.12.2017	30.09.2016
Current portion		
"Mittel S.p.A. 2017-2023" TF 3,75% bonds (maturing coupon)	2.089.090	-
Non-current portion		
"Mittel S.p.A. 2017-2023" TF 3,75% bonds (redemption value)	129.514.718	-
Total nominal repayment	**131.603.808**	**-**
Measurement at amortized cost	(309.436)	-
Total book value	**131.294.372**	**-**

In relation to the transactions carried out during the year by Mittel SpA, the following significant accounting effects were noted, which led to the presence in the income statement of non-recurring financial charges for a total of approximately EUR 4,5 million:

- at the time of issue of the first tranche of the 2017-2023 bond (OPSO transaction in July 2017), costs of approximately EUR 2,5 million were recognized deriving from the initial recognition at fair value of the financial liability (the so-called "day one loss"), determined on the basis of the difference between the offer price and the market value of the first day of listing;
- during the partial extinction of the 2013-2019 bond (call exercised in August 2017), costs of approximately EUR 1,7 million were recorded, relating to the positive difference between the exercise price paid and the carrying amount at the settlement date of the extinction of the liability;
- Finally, during OPAS, carried out in November, extinguishing costs were recognized for approximately EUR 0,4 million on the 2013-2019 bond share subject to the exchange transaction (supplemented by a cash consideration) with the second tranche of the 2017-2023 bond, similar in nature to those described in the previous point.

The fair value as of December 31, 2017 of bond loans is equal to:

- for the 2013-2019 bond at EUR 0,924968 per share (EUR 105,11 on a 100 basis), for a total market value of EUR 46.572.114;
- for the bond 2017-2023 at EUR 0,91648 per share (EUR 102.4 on a 100 basis), for a total market value of EUR 132.623.071.

The prospectuses and regulations of the two existing bonds are available on the website www.mittel.it in the "Investor Relations" section.
The 2017-2023 loan foresees that, after 36 months from the issue, Mittel has the right to proceed at its discretion to the total or partial repayment of the Loan at a redemption price:

- equal to the nominal amount subject to repayment, plus an amount equal to half of the coupon, between the expiration of the third year (excluded) and the expiration of the fourth year (included);
- equal to the nominal amount subject to repayment plus an amount equal to one quarter of the coupon Between the expiration of the fourth year (excluding) and the maturity of the fifth year (included);
- equal to the nominal value after the end of the fifth year (excluded).

18. Provision for personnel

As of December 31, 2017, the item amounted to EUR 776 thousand (EUR 832 thousand as of September 30, 2016) and is structured as follows:

	31.12.2017	30.09.2016
Employee severance indemnity	776.474	831.755
Other allowances		
	776.474	**831.755**

The following table shows the movements throughout the financial year of the Employee Severance Indemnity:

	31.12.2017	30.09.2016
Opening balances	**831.755**	**801.551**
Increases:		
- Allocation for the period	135.865	101.001
- Increase due to business combination		
- Other increases	8.318	94.963
Decreases:		
- Utilisations	(128.813)	(164.027)
- Other decreases	(70.651)	(1.733)
	776.474	**831.755**

The valuation was carried out on the basis of IAS 19, as the Severance Pay is similar to a "post-employment benefit" of the "defined benefit plans" type, whose amount already accrued must be projected in the future, in order to estimate the amount to be paid at the time of termination of the employment relationship, and then discounted, using the "Projected unit credit method", to take into account the length of time needed before the actual payment.
The actuarial assumptions adopted refer to:

a) hypothesis of reasons for leaving the Group: mortality, total and permanent disability, staff turnover, such as resignation, dismissal and retirement due to seniority and old age;
b) economic and financial hypotheses: discount rate for future services; wage growth line, which determines the dynamics of salaries; annual inflation and annual rate of return on accrued severance pay;
c) further hypotheses were formulated on the frequency of advances on severance pay, on withholding taxes and, overall, on the legislation in force.

All of the hypotheses used in the evaluations, given the low number of the community in question, derived from experiences found on the market, and reflect the current corporate, regulatory and market conditions at the valuation date and are based on the continuity of the business activity.
To quantify severance pay, as governed by art. 2120 C.C., a fee equal to 7.41% of the amount of projected salary was calculated for each year of service, valid for the purposes of severance pay and due for the same year. From the amount obtained 0,5% of the amount was subtracted to finance the severance pay (TFR Guarantee Fund) set up by INPS.
The amount of the projected salary in future years is estimated, for each employee, annually increasing the remuneration of the year to which the evaluation refers, valid for the purposes of severance pay (TFR), based on the projected inflation rate (equal to 1,5% for 2017/2018 and constant at 2% from 2019 onwards) and other contractual increases
For the purpose of revaluation, and with the exclusion of the portion accrued during the year, the severance pay is increased each year by applying a rate consisting of a fixed component of 1.50% and a variable equal to 75% of the projected inflation rate. Annual income tax is substituted for income taxes of 17% (this rate was increased from 11% to 17% due to the change referred to in paragraph 623, art.1 law 23/12/2014 n.190 - Stability Law).
For each of the basic assumptions, an analysis was made of the effect on the results of the actuarial valuations of the variation, plus or minus 10% of the size itself. We proceeded to vary a quantity at a time, without prejudice to all other quantities.

19. Deferred tax liabilities

As of December 31, 2017, the item amounted to EUR 22 thousand (EUR 206 thousand as of September 30, 2016).

The detail of the item are as follows:

	31.12.2017	**30.09.2016**
Tax liabilities recognised in profit or loss		
Tax liabilities recognised in equity	22.467	206.418
	22.467	**206.418**

	31.12.2017	**30.09.2016**
Deferred liabilities		
Receivables		
Assets/liabilities held for sale	22.467	206.418
Investments		
Property, plant and equipment/intangibles assets		
Other assets/liabilities		
Other		
	22.467	**206.418**

The changes in tax liabilities recognised in equity were as follows:

	31.12.2017	30.09.2016
Opening balance	**206.418**	**283.832**
Increases	**-**	**-**
Deferred taxes recorded in the year:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	-
Decreases	**(183.951)**	**(77.414)**
Deferred taxes cancelled in the year:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other reductions	(183.951)	(77.414)
	22.467	**206.418**

20. Provisions for risks and charges

As of December 31, 2017, the item amounted to EUR 933 thousand (EUR 903 thousand as of September 30, 2016), showing an increase of EUR 30 thousand compared to the previous year.

The details are as follows:

	31.12.2017	30.09.2016
Provision for risks:		
Legal disputes	932.770	902.875
Disputes with personnel		
Contractual disputes		
Other disputes		
Other provisions:		
Expenses for personnel		
Other expenses		-
	932.770	**902.875**

The item saw the following changes:

	31.12.2017	30.09.2016
Opening balance	**902.875**	**766.898**
increases:		
Allocation	137.925	752.875
Other increases	-	-
Decreases:		
Utilisations	(108.030)	(616.898)
Other decreases	-	-
	932.770	**902.875**

The item "Provisions for risks" relates to the provision made on the basis of the best estimate of legal expenses related to current legal disputes (with the risk related to the merit of the unlikely dispute and therefore not subject to provisions, consistent with the provisions of IAS 37)

The decreases are attributable to releases resulting from the implementation of the costs to which the provisions made in previous years refer.

Current liabilities

21. Bond issue

They amount to EUR 3.072 thousand and refer to:

- for EUR 983 thousand, from interest accrued in the period between July 12, 2017, payment date of the six-month coupon of the 2013-2019 bond, and the closing date of these financial statements;
- for EUR 2.089 thousand, for the interest accrued in the period between July 27, 2017, the date of receipt of the 2017-2023 bond loan, and the closing date of these financial statements.

22. Financial payables

They amounted to EUR 11.880 thousand (EUR 75.540 thousand as of September 30, 2016) and decreased by EUR 63.660 thousand.

The item is made up as follows:

	31.12.2017	30.09.2016
Bank loans	9.507.904	66.802.291
Current portion of medium/long-term bank loans		6.056.874
Other loans	2.372.378	2.680.634
Other financial payables		
	11.880.282	**75.539.799**

The item "Bank loans" mainly consists of hot money loans granted by leading banks, regulated at rates indexed on the one-three-month Euribor and with short-term maturity.

The item "Other loans" corresponds to the balance of the loans in place with the subsidiaries Mittel Advisory S.r.l. for EUR 1,1 million and by Locaeffe S.r.l. in liquidation for EUR 1,3 million.

23. Other financial liabilities

They amounted to EUR 12.093 thousand (EUR 4.673 thousand as of September 30, 2016). The total increase is EUR 7.420 thousand.

The details of the item are as follows:

	31.12.2017	30.09.2016
Trade payables	1.259.492	1.914.942
Tax payables	302.794	218.623
Payables relating to employees	462.661	364.068
Payables relating to other personnel		
Payables due to directors and statutory auditors	910.560	474.786
Payables due to social security institutions	135.682	82.350
Disputes		
Other payables	8.933.884	1.509.780
Accrued expenses and deferred income	88.251	108.775
	12.093.324	**4.673.324**

The item "Trade payables" consists of invoices received, not yet paid, for EUR 350 thousand and invoices to be received for EUR 909 thousand.

These last refer to debts set aside on the basis of existing mandates and relating to payables for legal expenses (EUR 399 thousand), professional consultancy (EUR 396 thousand), compensation for financial statements certification (EUR 99 thousand), other services (EUR 6 thousand)) and utilities (EUR 9 thousand).
The item "Tax payables" consists primarily in, EUR 206 thousand, of payables to the tax authorities for compensation paid in December 2017 and for EUR 92 thousand of payables to the tax authorities for the month of December 2017 .

The item "Other payables", equal to EUR 8.934 thousand, mainly refers to:

- for EUR 6.740 thousand to the payable recorded as a contra-entry to collection received in connection with the Auchan / Bernardi dispute, tax dispute involving Mittel as Hopa's acquiring company, subject granting contractual guarantees together with Primavera S.p.A., in favor of La Rinascente S.p.A. (then Auchan S.p.A., now Società Italiana Distribuzione Moderna S.p.A., following the sale to the same of the Colmark group).
  Subsequent developments in tax litigation led first to a partial acceptance of the appeal filed by the company (with a ruling by the Provincial Tax Commission of Venice) and subsequently to a partial reform by the Regional Tax Commission of Venice, which instead confirmed in its entirety the claims brought by the contested acts.
  As a result of the appeal presented by the company to the Italian Court of Appeal, the latter, with sentence no. 382 dated 25/11/2015 filed on 13/01/2016, partially revoked, with reference to another section of the Regional Tax Commission of Veneto, the sentence of the Regional Tax Commission of Venice which had fully confirmed the tax claim brought by the notices assessment.
  Following the decision of the Italian Court of Appeal, the Inland Revenue reimbursed the taxes and penalties referable to the grounds of appeal deemed to be founded but, until a final sentence is reached, all the sums must be considered collected on a provisional basis;
- for EUR 1.934 thousand, the debt of Mittel S.p.A. towards the companies participating in the tax consolidation, of which Mittel is the parent company, for the use of the tax losses of some entities to cover the tax profits of others.

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Information on the income statement

24. Revenue

They amount to EUR 804 thousand (EUR 870 thousand as of September 30. 2016). They decreased, in absolute terms, by EUR 66 thousand.

The breakdown of revenues is shown below, highlighting the main types:

	31.12.2017	30.09.2016
Revenue from rent	266.898	126.014
Revenue from provision of services	537.648	743.675
	804.546	**869.689**

In regard to the item "Revenues from rent", it should be noted that during the 2016/2017 financial year:

- the subletting contracts stipulated with Mittel Investimenti Immobiliari S.r.l. and Mittel Generale Investimenti S.r.l., following the early termination of the main lease contract that saw Mittel S.p.A. as the tenant of the premises he shared on the second floor, in Piazza Diaz, with the above companies;
- two new rental contracts were signed with (i) Mittel Advisory S.r.l., concerning a part of the thirteenth floor owned by Mittel S.p.A., previously leased to Progressio Sgr S.p.A., and with (ii) Mittel Investimenti Immobiliari Srl, for a portion of the twelfth floor, still owned by Mittel S.p.A.;
- a sublease agreement was signed with Mittel Generale Investimenti S.r.l., in reference to the fifth floor located in the same building and leased by Mittel S.p.A.

The item revenues from services rendered refers to the chargeback made to the subsidiaries and associated companies for housing, administrative and IT services, outsourced. The decrease in the item, which can be quantified in approximately EUR 0,3 million (adjusting the amount as of September 30, 2016 to a duration equal to that of the current year, fifteen months), is attributable mainly to the significant reduction in contract fees. Outsourcing signed with Mittel Generale Investimenti S.r.l. (approximately EUR 0,2 million) and Mittel Advisory Debt and Grant S.r.l. (EUR 0,1 million), as a consequence of the significant downsizing of the activities carried out by the companies themselves.

25. Other income

They amount to EUR 1.149 thousand (EUR 366 thousand as of September 30, 2016). Overall, they increased by EUR 783 thousand
The breakdown of the items is shown in the chart below:

	31.12.2017	30.09.2016
Prior year income	149.555	143.827
Income from elimination of assets	238.432	485
Other revenue and income	761.259	221.548
	1.149.246	**365.860**

The item "Prior year income" consists primarily in EUR 112 thousand from the reversal of costs accrued in previous years, in excess compared to what was received in the final balance.

The item "Income from elimination of assets" is mainly due to the capital gain obtained from the sale of land located in Naples.

"Other revenues and income" mainly contain the chargeback of the remuneration of the administrative body and the supervisory body by Mittel S.p.A. to subsidiaries and associates. The increase in the item is attributable to the amount paid to the Parent Company by the newly acquired companies Gruppo Zaffiro S.r.l. (and its subsidiaries), Ceramica Cielo S.p.A. and Industria Metallurgica Carmagnolese (I.M.C.) S.p.A..

26. Costs for services

They amount to EUR 5.205 thousand (EUR 5.279 thousand as of September 30, 2016). They decreased, in absolute terms, compared to September 30, 2016, by EUR 74 thousand.

The breakdown is shown in the chart below:

	31.12.2017	30.09.2016
Legal consultancy	(438.186)	(585.586)
Notary consultancy	(20.080)	(96.448)
Other consultancy	(736.454)	(1.040.786)
General services and maintenance	(634.048)	(549.643)
Administrative, organisational and audit services	(7.226)	(10.084)
Directors' fees	(2.102.899)	(1.498.155)
Board of Statutory Auditors' fees	(187.211)	(150.665)
Supervisory Body's fees	(45.542)	(36.190)
Fees for prosecutors and Manager in charge	(20.000)	(16.000)
Rentals	(549.486)	(899.623)
Leases	(35.037)	(33.021)
Insurance	(249.310)	(216.011)
Utilities	(110.497)	(125.975)
Advertising	-	(1.000)
Others	(69.280)	(19.873)
	(5.205.256)	**(5.279.060)**

The costs for services, reporting the amount relating to the financial statements as of September 30, 2016 for a period of fifteen months, recorded a significant decrease, amounting to approximately EUR 1,4 million. In particular, there was a considerable decrease in costs related to consultancies (legal, notary and other) for a total amount of approximately EUR 1,0 million and costs for rentals by approximately EUR 0,6 million. The reduction in rental expenses was mainly due to the purchase, during the 2015/2016 financial year, of the twelfth floor of the building in Piazza Diaz, in Milan, previously leased.

27. Personnel costs

They amount to EUR 3.946 thousand (EUR 3.868 thousand as of September 30, 2016). They increased, in absolute terms, compared to September 30, 2016, by EUR 78 thousand.

The chart below shows the items in details:

	31.12.2017	30.09.2016
Wages and salaries	(2.570.323)	(2.161.713)
Social security costs	(891.617)	(715.045)
Allocation to employee severance indemnity	(135.865)	(101.001)
Payments to external supplementary pension funds	(26.528)	(15.319)
Other personnel costs	(322.072)	(875.420)
	(3.946.405)	**(3.868.498)**

The amount of "Other personnel costs", in reference to the previous year, was significantly influenced by the signing of an agreement with a manager no longer employed by the Company.

Net of this item, "Personnel costs" adjusted to a period of fifteen months also with reference to the financial statements as of September 30, 2016, shows a decrease by approximately EUR 0,1 million.

This change was due to the outflow of resources during the year following the internal reorganization of services and activities.

Average number of employees broken down by category:

	Average in the year 2016/2017	Average in the year 2015/2016
Managers	5	4
Officials	9	8
Employees	15	16
Total	**29**	**28**

28. Other costs

They amount to EUR 2.260 thousand (EUR 1.720 thousand as of September 30, 2016). The total increase, compared to September 30, 2016, was by EUR 540 thousand.

The breakdown of the items is shown in the chart below:

	31.12.2017	30.09.2016
Taxes and duties	(1.346.843)	(1.244.064)
Losses on receivables	(3.190)	-
Prior year expenses	(56.613)	(132.075)
Other sundry operating expenses	(853.627)	(343.702)
	(2.260.273)	**(1.719.841)**

The item "taxes and duties" mainly includes non-deductible VAT pro rata costs for EUR 1.185 thousand.

The "extraordinary contingencies" are attributable to costs incurred during the year ended December 31, 2017, but relating to previous periods, the amount at the time of closing the financial statements to which they refer to, had been underestimated.

"Other management charges" include the compensation recognized by Mittel S.p.A. for the early termination of the rent agreement on the second floor of the building located in Piazza Diaz (EUR 155 thousand), as well as the amount paid to counterparties for the settlement of "ex-Hopa" disputes (EUR 170 thousand). This item also includes the advertising costs incurred in connection with the issue of the 2017-2023 bond issue, for an amount of EUR 112 thousand, membership fees for EUR 109 thousand and expenses for the management of company vehicles in use to managers for EUR 172 thousand.

29. Dividends

They amount to EUR 43.230 thousand (EUR 43.732 thousand as of September 30, 2016). Overall, they decreased by EUR 502 thousand compared to September 30, 2016.

The breakdown of the items is shown in the chart below:

	31.12.2017	**30.09.2016**
Dividends from financial assets held for trading	-	62.736
Dividends from available-for-sale financial assets	151.701	495.994
Dividends from investments	43.078.408	43.173.234
	43.230.109	**43.731.964**

The item dividends from investments is due to the distribution of the share premium reserve carried out by Earchimede S.p.A., for EUR 15.319 thousand, and to the distribution made by Tower 6 bis S.a.r.l. in the final settlement, for EUR 27.760 thousand.

The dividends from financial activities are available for sale, they mainly refer to the distributions carried out, in the amount of EUR 16 thousand, by UBI Banca and, for EUR 136 thousand and by Sia S.p.A.

30. Profit (Losses) from the management of financial assets and investments

They amounted to EUR 7.626 thousand and decreased by EUR 156 thousand compared to September 30, 2016.

La breakdown of the items is shown in the chart below:

	31.12.2017	**30.09.2016**
Available-for-sale financial assets		
Capital gains	5.674.314	6.820.453
Profits from fair value measurement	-	-
Other income	327.074	-
Capital losses	-	-
Losses from fair value measurement	-	-
Other	-	-
Capital gains (losses) from transfer of receivables	**-**	**-**
Capital gains (losses) from transfer of investments	**1.624.985**	**961.700**
Capital gains (losses) from change in equity interest	**-**	**-**
Reversals/impairment losses on equity	**-**	**-**
	7.626.373	**7.782.153**

Capital gains on "available-for-sale financial assets" refer mainly to the results obtained from the sale of the shares held in UBI Banca (EUR 2.974 thousand), Intesa Sanpaolo (EUR 1.342 thousand), Istituto Atesino di Sviluppo S.p.A. (EUR 668 thousand) and on the disposal of the investment held in Credit Access Asia N.V. (EUR 605 thousand).

The other proceeds refer to the distribution, on a definitive basis, made by O.M.B. Brescia S.p.A. in liquidation, for a credit deriving from the company's obligations, signed by Hopa S.p.A.

The gains on disposal are include the proceeds collected following the sale of the investment held in Castello Sgr S.p.A (EUR 1.369 thousand) and the price difference collected in reference to the sale of Brands Partners 2 S.p.A. (EUR 123 thousand) and Mittel Generale Investimenti S.r.l. (EUR 133 thousand).

31. Amortization and value adjustments to intangible assets

They amount to EUR 274 thousand (EUR 259 thousand as of September 30, 2016) and increased in absolute terms compared to September 30, 2016, by EUR 15 thousand.

The breakdown of the items is shown in the chart below:

	31.12.2017	30.09.2016
Intangible assets		
Amortization	(58.337)	(102.839)
Impairment losses	-	-
Reversals of impairment losses	-	-
Property, plant and equipment		
Amortization of investment property	-	-
Amortization of other assets owned	(215.958)	(155.999)
Amortization - finance leases	-	-
Impairment losses	-	-
Reversals of impairment losses	-	-
Assets relating to finance leases	**-**	**-**
	(274.295)	**(258.838)**

32. Allocations to the provision for risks

There are provisions for EUR 138 thousand as surplus amounts for EUR 136 thousand as of September 30, 2016.

The breakdown of the items is shown in the following table:

	31.12.2017	30.09.2016
Provisions for ongoing disputes:		
for legal disputes	(137.925)	(135.977)
for expenses for personnel	-	-
Provision for contractual disputes	-	-
Provision for restructuring expenses	-	-
Other provisions	-	-
	(137.925)	**(135.977)**

The increases relate to the provision made on the basis of the best estimate of legal fees related to legal disputes in place (with relative risk of the unlikely dispute and therefore not subject to provisions, consistent with the provisions of IAS 37).

33. Financial income

They amount to EUR 8.460 thousand (EUR 8.140 thousand as of September 30, 2016). The total increase, compared to September 30, 2016, was by EUR 320 thousand.

The breakdown of the items is shown in the chart below:

	31.12.2017	30.09.2016
Bank interest income	553.186	85.331
Interest income on financial receivables	7.756.442	7.710.736
Other interest income	151.000	343.635
	8.460.628	**8.139.702**

34. Financial expenses

They amount to EUR 15.161 thousand (EUR 8.944 thousand as of September 30, 2016). Compared to September 30, 2016, they increased by EUR 6.217 thousand.

The breakdown of the items is shown in the chart below:

	31.12.2017	30.09.2016
Interest expense on bonds	(9.120.946)	(6.621.642)
Interest expense on bank loans	(1.355.568)	(1.861.884)
Interest expense on other loans	(15.611)	(151.808)
Other interest expenses	(8.318)	(17.311)
Other financial expenses	(4.660.882)	(287.294)
Exchange rate losses	-	(4.162)
	(15.161.325)	**(8.944.101)**

The increase in the item "Other financial charges" was mainly due to the charges related to the Public Offer to Purchase and Exchange on the 2013-2019 Mittel Bond, for the description see note 17 “ Bond loans“ on this financial statements.

35. Value adjustments to financial assets and receivables

They amount to EUR 10.415 thousand and are up EUR 7.154 thousand compared to September 30, 2016.
The breakdown of the items is shown in the chart below:

	31.12.2017	30.09.2016
Impairment losses on financial receivables	(8.722.195)	(1.451.246)
Impairment losses on other receivables	-	-
Impairment losses on available-for-sale financial assets	(1.693.076)	(1.809.782)
Impairment losses on non-current assets held for sale	-	-
Reversals of impairment losses on financial assets	-	-
	(10.415.271)	**(3.261.028)**

For details on the item "Write-downs of financial assets available for sale", please refer to paragraph 8 “Other financial assets”.

36. Value adjustments to investments

They amount to EUR 31.228 thousand (EUR 68.856 thousand as of September 30, 2016). Overall, they decreased by EUR 37.628 thousand compared to September 30, 2016.

The breakdown of the items is shown in the chart below:

	31.12.2017	30.09.2016
Impairment losses on investments	(31.228.344)	(68.856.250)
Reversals of impairment losses on investments	-	-
	(31.228.344)	**(68.856.250)**

The item " Impairment losses on investments " are primarily related to:

(i) EUR 16.500 thousand to Earchimede S.p.A.'s impairment;
(ii) EUR 9,500 thousand to the impairment of Mittel Investimenti Immobiliari S.r.l.;
(iii) EUR 953 thousand to the impairment of Mittel Advisory Debt and Grant S.r.l.;
(iv) EUR 100 thousand to Mit.Fin S.p.A.
(v) EUR 4.153 thousand to the zeroing of the investment held in Tower 6 bis S.a.r.l., following the liquidation of this last one.

For a more in-depth analysis of the issues related to these impairments, see the information in note 6 "Investments " in the present financial statements. The write-downs of Earchimede S.p.A. and of Tower 6 bis S.a.r.l. must be read together with the substantial dividends collected during the year by the two investor companies.

37. Profit (loss) from trading of financial assets

They amount to EUR 354 thousand (EUR 61 thousand as of September 30, 2016). Compared to September 30, 2016, they increased by EUR 293 thousand.

The amount is as follows:

	31.12.2017	30.09.2016
Gains/losses on disposal of securities (current)	353.809	211.506
Capital gains/ losses on securities valuation (current)	-	(393.635)
Derivative financial instruments	-	242.869
	353.809	**60.740**

38. Income taxes

They amount to EUR 2.412 thousand (EUR 603 thousand as of September 30, 2016). Compared to September 30, 2016, they increased by EUR 1.809 thousand.

The amount is as follows:

	31.12.2017	30.09.2016
IRES (corporate income tax)	2.416.418	614.331
IRAP (regional business tax)	-	-
Taxes of previous years	(4.524)	(8.204)
Total current taxes	**2.411.894**	**606.127**
Deferred tax liabilities	-	-
Deferred tax assets	-	(2.674)
Total deferred taxes	**-**	**(2.674)**
Other taxes	-	-
Total income taxes	**2.411.894**	**603.453**

The following table shows the link between the effective taxation and the theoretical tax determined on the basis of the current tax rate relating to income tax:

	IRES (corporate income tax)		
Description	**Gross value**	**Rate**	**Tax**
Income (loss) before taxes	(7.004.383)	24,00%	(1.681.052)
Corrective measure for IRAP/IRES comparison	-	24,00%	-
Permanent increase	31.678.643	24,00%	7.602.874
Temporary increase	17.978.925	24,00%	4.314.942
Reversals of non-deductible costs in previous years	(377.777)	24,00%	(90.666)
Profit (loss) from PEX investments	(7.093.066)	24,00%	(1.702.336)
Dividends	(41.834.538)	24,00%	(10.040.289)
10% IRAP recovery	-	24,00%	-
Tax wedge	-	24,00%	-
Other decreases	(212.986)	24,00%	(51.117)
Change in prepaid/deferred taxes		24,00%	-
Total	**(6.865.182)**	**24,00%**	**(1.647.644)**
Effective tax benefit from application of tax consolidation			(768.774)
Change in taxes in the previous year			4.524
Total			**(2.411.894)**

Mittel S.p.A. ’s tax losses during the year as of December 31, 2017 amounted to EUR 6,9 million and were used in full within the tax consolidation.

39. Basic and diluted earnings (loss) per share

As required by IAS 33, Mittel S.p.A. exposes i) the basic earnings per share, as a net result for the year divided by the weighted average number of shares outstanding during the year, and ii) the diluted result, determined by adjusting the result attributable to holders of Mittel S.p.A. ’s ordinary capital instruments to take into account the effects of all potential ordinary shares with dilutive effect.

In particular, basic earnings per share and diluted earnings per share are determined as follows:

- *Earnings or basic loss per share:*

The basic profit or loss per share is determined by dividing the economic result attributable to holders of ordinary capital instruments of Mittel S.p.A. by the weighted average number of ordinary shares outstanding during the year.

- *Profit or loss diluted per share:*

As required by IAS 33, diluted earnings per share should take into account the effects of all potential ordinary shares with a dilutive effect.

The basic and diluted earnings per share as of December 31, 2017 compared to the previous year are as follows:

Earnings/(loss) per share (in EUR)	31.12.2017	30.09.2016
From income statement:		
- Basic	(0,061)	(0,400)
- Diluted	(0,061)	(0,400)
From comprehensive income:		
- Basic	(0,093)	(0,486)
- Diluted	(0,093)	(0,486)

The reconciliation of the weighted average number of outstanding shares for the purpose of determining the basic earnings or loss per share from the consolidated income statement and the total consolidated profitability as of December 31, 2017 compared to the previous year is as follows:

Basic earnings or loss per share

During the year and as of December 31, 2017 the number of outstanding shares did not change, as shown in the following table:

Basic earnings/(loss) per share	30.09.2016	30.09.2016
(no. ordinary shares)		
No. of shares at start of the year	87.907.017	87.907.017
Average weighted number of ordinary shares subscribed in the year		
No. of treasury shares at start of the year	(12.357.402)	(15.308.706)
Average weighted number of treasury shares acquired in the year	-	(431.130)
Average weighted number of treasury shares sold in the year	-	4.830.954
Average weighted number of shares outstanding at the end of the year	**75.549.615**	**76.998.135**
EUR		
Net profit/(loss)	**(4.592.489)**	**(30.770.032)**
EUR		
Basic earnings/(loss) per share	**(0,061)**	**(0,400)**
EUR		
Total net profit/(loss)	**(7.050.777)**	**(37.483.768)**
EUR		
Total basic earnings/(loss) per share	**(0,093)**	**(0,486)**

Diluted earnings or loss per share

Presence of a Stock Appreciation Rights allocation plan that affects the determination of the number of shares to be used for calculating the diluted earnings per share;

As of December 20, 2017, the actions that could potentially be issued concern only the shares assigned for medium-long term incentive plans based on the allocation of Stock Appreciation Rights (SAR) on their share, plans reserved for the chief executive officer of Mittel S.p.A. and to other Group employees.
The alleged payments deriving from payment agreements based on own shares are considered as if received by the issue of ordinary shares at the average market price of ordinary shares during the period. Therefore, the difference between the number of ordinary shares actually issued and the number of ordinary shares potentially emitted at the average market price of ordinary shares during the period is to be considered as an issue of ordinary shares without consideration.

The instruments relating to the agreements with the SAR offered at fixed or determinable conditions and unallocated ordinary shares are treated as options in the calculation of diluted earnings per share, even though they may be subordinated to the assignment and considered as outstanding on the date of assignment. In particular, the offer options based on the performance of services or services are treated as potential shares to be issued as their issue is subject to the fulfillment of certain conditions over time.
For the year ended as of December 31, 2017, the medium-long term incentive plan based on the allocation of Stock Appreciation Rights (SAR) on its share was not considered for the purpose of calculating the diluted earnings per share as it had anti-dilutive effects.
Furthermore, the result attributable to the Group as of December 31, 2017 was not adjusted to take into account the dilutive effects deriving from the theoretical exercise of the incentive plan based on the allocation of SARs on own capital instruments as anti-dilutive in the year.
It should be noted that since there are no non-current assets held for sale and discontinued operations, the relative result per share of the assets destined to cease or cease to be carried out is not indicated.
Furthermore, it should be noted that the values of the result per share exposed, must not be adjusted due to transactions involving ordinary shares or potential ordinary shares that occurred after the end of the semester to December 30, 2017 that would have significantly changed the number of ordinary shares or potential ordinary shares outstanding at the end of the period.

40. Net financial position

According to the Consob Communication as of July 28, 2006 and in accordance with the CESR Recommendation as of February 10, 2005, "Recommendations for the uniform implementation of the European Commission regulation on information prospectuses", it is noted that Mittel S.p.A.'s financial position as of December 31, 2017, is positive for Euro 7.236 thousand as shown in the following chart:

(Thousands of Euro)	**31.12.2017**	**30.09.2016**	**Variation**
Cash	6	8	(2)
Other cash equivalents	124.905	56.235	68.670
Securities held for trading	-	6.909	(6.909)
Current liquidity	**124.911**	**63.152**	**61.759**
Current financial receivables	**70.301**	**94.574**	**(24.273)**
Current bank payables	(9.168)	(66.802)	57.634
Current portion of medium/long-term bank loans	(339)	(6.057)	5.717
Bonds	(3.072)	(1.310)	(1.763)
Other current financial payables	(2.372)	(2.681)	308
Current financial debt	**(14.953)**	**(76.849)**	**61.897**
Net current financial debt	**180.260**	**80.876**	**99.383**
Non-current bank payables	-	-	-
- Bank payables expiring in the medium-term	-	-	-
- Bank payables expiring in the long-term	-	-	-
Bonds issued	(173.023)	(97.873)	(75.150)
Other financial payables	-	-	-
Non-current financial debt	**(173.023)**	**(97.873)**	**(75.150)**
Net financial position	**7.236**	**(16.997)**	**24.233**

Regarding the definition of the net financial position, reference should be made to the report on the management of these financial statements. Furthermore, in compliance with the indications contained in the Consob Communication no. 6064293 as of July 28, 2006 concerning the impact of transactions or positions with related parties on the net financial position, reference should be made to the financial statements drawn up pursuant to Consob resolution no. 15519 as of July 27, 2006. In particular, the specific items relevant to the net financial position which include balances with related parties are current and non-current financial receivables and non-current financial payables, for which details are provided in note 42 of this financial statement.

41. Commitments and guarantees

As of December 31, 2017 the following commitments and guarantees are in effect:

	31.12.2017	30.09.2016
Guarantees:		
financial	-	-
commercial	6.045.943	5.259.675
assets pledged as collateral	-	-
Commitments:		
disbursement of funds	1.253.992	2.706.758
other irrevocable commitments	-	-
	7.299.935	**7.966.433**

Guarantees of commercial nature mainly refer to sureties in favor of the Revenue Agency for VAT requested as reimbursement and / or compensated for EUR 1.398 thousand on individual (own) account and for EUR 4.648 thousand on behalf of Group companies.
The commitments for the provision of funds refer to the commitments for payments to be made in private equity funds and foreign investment vehicles.

42. Intercompany transactions and transactions with related parties

Intercompany transactions and transactions with related parties

In regard to operations with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, during the 2016/2017 financial year, with these counterparties, transactions were carried out relating to the ordinary activities of the Group and that no atypical or unusual transactions were reported. All transactions carried out are regulated at market conditions and refer to:

	Directors, Statutory auditors and internal committees	Subsidiaries	Associates	Total
Non-current assets				
Financial receivables	-	14.555.651	24.365.603	**38.921.254**
Current assets				
Financial receivables	-	70.234.748	-	**70.234.748**
Sundry receivables and other assets	-	5.159.405	435	**5.159.840**
Current liabilities	-	2.372.378	-	**2.372.378**
Financial payables	910.560	1.965.909	2.618	**2.879.087**
Sundry payables and other liabilities				
Revenue				
Revenue	-	618.626	178.941	**797.567**
Other income	-	605.771	46.015	**651.786**
Costs for services	(2.310.110)	(7.226)	-	**(2.317.336)**
Personnel costs	(438.010)	-	(2.437)	**(440.447)**
Other costs		(2.785)	-	**(2.785)**
Dividends	-	15.318.684	27.759.724	**43.078.408**
Financial income	-	4.012.134	1.538.719	**5.550.853**
Financial expenses	-	(15.610)	-	**(15.610)**

- Non-current financial receivables refer to loans granted to the subsidiaries Mittel Automotive S.r.l., subsequently incorporated into Industria Metallurgica Carmagnolese (I.M.C.) S.p.A., for EUR 5,3 million and Mittel Design S.r.l. for EUR 9,2 million, as well as to the associate Liberata S.r.l., subsequently incorporated into Mittel Generale Investimenti S.r.l., for EUR 24,4 million

- Current financial receivables refer to loans granted to Ghea S.r.l. for EUR 3,9 million to Mittel Investimenti Immobiliari S.r.l. for EUR 65,5 million euros and Markfactor S.r.l. in liquidation for EUR 0,8 million.

- The item "Other receivables" and "other assets" mainly consists of receivables from companies forming part of the tax consolidation of the consolidating company Mittel S.p.A.

- The item financial payables refers to loans received for EUR 1,3 million from Locaeffe S.r.l. and for EUR 1,1 million from Mittel Advisory S.r.l .

- The item Miscellaneous payables and other current liabilities refers for EUR 1,9 million to payables to the companies forming part of the tax consolidation of the consolidating company Mittel S.p.A., for EUR 0,1 million due to the companies involved in the Group VAT procedure Mittel S.p.A. as the parent company, and for EUR 0,9 million to payables to directors and statutory auditors for accrued and unpaid skills.

- The item revenues mainly refers to the chargeback for administrative and housing services rendered to the group companies, to the chargeback of lease payments on the basis of rental contracts stipulated with the subsidiaries Mittel Advisory S.r.l. and Mittel Investimenti Immobiliari S.r.l. and sub-letting with the associate Mittel Generale Investimenti S.r.l., as well as the chargeback of the D.O. directors undersigned by the parent company Mittel S.p.A..

- The item Other income refers to the chargeback for the emoluments of the administrative body and of the supervisory body.

- The item costs for services refers to the emoluments paid to the members of the administrative bodies for EUR 1,9 million, the internal committees for EUR 0,2 million and the Board of Statutory Auditors for EUR 0,2 million. For further details, please refer to the "remuneration report" which will be available in accordance with the law on the company’s website www.mittel.it in the "investor relations" section.

- The item personnel costs refers to the remuneration of the company's strategic executives. For further details, please refer to the "remuneration report" which will be available in accordance with the law on the company’s website www.mittel.it in the "investor relations" section.

- The item dividends and similar income is made up of dividends from equity investments distributed for EUR 15,3 million by Earchimede S.p.A. and for EUR 27,8 million from Tower 6 bis S.à.r.l ..

- The item financial income mainly refers to interest income accrued towards Liberata S.r.l., subsequently incorporated into Mittel Generale Investimenti S.r.l., for EUR 1,5 million, of Mittel Investimenti Immobiliari Srl, for EUR 3,0 million, of Ghea S.r.l. for EUR 0,9 million and Zorro S.r.l., subsequently incorporated into the Zaffiro S.r.l. Group, for EUR 0,1 million.

43. Supplementary information on financial instruments and risk management policies

In reference to the supplementary disclosure on financial instruments and related risks required by the international accounting standards IFRS 7 and IFRS 13 aimed at illustrating the impact of the financial instruments, in respect to the extent of the related risk exposures and the fair value measurements of the financial instruments, details of the determinations and mechanisms that the company implemented to manage exposure to financial risks, are provided below.

43.1 Fair value measurement

The international accounting standard IFRS 13 defines fair value as "the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the valuation date". In the cases where transactions are directly observable in a market, the determination of fair value can be relatively simple. If they aren't observable, valuation techniques are used which are represented by the "market" approach, this involves the use of prices and other relevant information generated by other transactions involving similar assets and liabilities, from the so-called "income approach", which consists in discounting future cash inflows and outflows, and finally the "cost approach", determined by the entity, a value that reflects the amount that would currently be required to replace the service capacity of an asset.

FRS 13 establishes a fair value hierarchy that classifies the inputs of the measurement techniques adopted to measure fair value into three levels.

The fair value hierarchy assigns the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 data) and the minimum priority to unobservable inputs (Level 3 data).

The levels used in the hierarchy are:

Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the valuation date. The market is defined as active when the prices expressed reflect transactions that occur on a frequent basis and with sufficient volumes to provide information useful for determining the price on an ongoing basis.

Level 2 inputs: these are different variables from the listed prices included in Level 1 that can be observed directly or indirectly for assets or liabilities. These valuation techniques are used if the instrument to be valued is not quoted in an active market. The valuation of the financial instrument is based on prices deductible from the market quotations of identical or similar assets or through valuation techniques whereby all significant values are derived from parameters that can be observed or corroborated on the market.

Level 3 inputs: these are variables that can not be observed for assets or liabilities. These techniques consist in determining the listing of the instrument through significant use of significant parameters that are not observable but that must reflect the assumptions that market participants would use in determining the price of the asset or liability, including assumptions regarding risk.

For financial instruments outstanding as of December 31, 2017, and for comparative purposes, as of September 30, 2016, the table below shows the hierarchy of the fair value of financial assets and liabilities measured at fair value on a recurring basis:

Amounts in EUR	31 December 2017			30 September 2016		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets:						
- Investments at fair value with a contra-entry in Other comprehensive profit/(loss)	-	15.447.814	3.736.999	4.968.345	17.600.437	9.852.197
- Investments at fair value with a contra-entry in the Income Statement	-	-	-	-	-	-
- Other non-current securities	-	-	-	-	-	-
Financial assets at fair value held for trading:						
- Current securities held for trading	-	-	-	2.264.251	-	-
- Other assets	-	-	-	-	-	-
- Trading derivatives	-	-	-	-		
- Other financial assets	-	-	-	-	-	-
Total assets	**-**	**15.447.814**	**3.769.999**	**7.232.596**	**17.600.437**	**9.852.167**
Other financial liabilities:						
- Hedging derivatives	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

To complete the analysis required by IFRS 13, we are reporting the types of financial instruments present in the financial statement as of December 31, 2017, and for comparative purposes, as of September 30, 2016, complete with the indication of the valuation criteria applied and, in the case of financial instruments valued at fair value *as well as* of the exposure (income statement or shareholders' equity) with specific attribution to the fair value category. The last column of the table shows, where applicable, the fair value at the end of the financial year.

31 December 2017
(Amounts in Euro)

Types of financial instruments	Criteria applied in the meauremen of the financial instruments in the financial statements												
	Financial instruments at fair value												
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy				Financial instruments at amortized cost		Unlisted investments measured at cost	Financial statement total as at 31 December 2017		Fair value as at 31 December 2017
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Livel 1	Livel 2	Livel 3		(B)		(C)	(A+B+C)		
ASSETS													
Available-for-sale investments (c)	-	-	-	-	-	-		-		1.500.000	1.500.000		1.500.000
Available-for-sale investments (a) (d)	-	17.684.814	17.684.814	-	15.447.814	2.237.000		-		-	17.684.814	-	17.684.814
Available-for-sale debt securities (a) (d)	-	-	-	-	-	-		-		-	-		-
Available-for-sale other financial receivables (d)	-	-	-	-	-	-		-		-	-		-
Non-current financial receivables (b)	-	-	-	-	-	-		74.287.692		-	74.287.692		70.726.951
Non-current sundry receivables	-	-	-	-	-	-		-		-	-		-
Current financial receivables (*) (b)	-	-	-	-	-	-		-		-	-		-
Other non-current assets	-	-	-	-	-	-		144.906		-	144.906		144.906
Current financial receivables (*) (b)	-	-	-	-	-	-		70.300.995		-	70.300.995		70.300.995
Investments held for trading (d)	-	-	-	-	-	-		-		-	-		-
Trading derivatives (d)	-	-	-	-	-	-		-		-	-		-
Trade receivables (*) (b)	-	-	-	-	-	-		4.916.886		-	4.916.886		4.916.886
Current sundry receivables (*) (b)	-	-	-	-	-	-		434.183		-	434.183		434.183
Cash and cash equivalents (*)	-	-	-	-	-	-		124.911.283		-	124.911.283		124.911.283
	-	17.684.814	17.684.814	-	15.447.814	2.237.000		274.995.945	-	1.500.000	294.180.759	-	290.620.018
LIABILITIES													
Bonds (current and non-current) (b)	-	-	-	-		-		176.095.674		-	176.095.674		179.195.185
Financial payables (current and non-current) (*) (b)	-	-	-	-	-	-		11.880.282		-	11.880.282		11.880.282
Non-current sundry payables and other liabilities (*) (b)	-	-	-	-	-	-		-		-	-		-
Trade payables (*) (b)	-	-	-	-	-	-		9.129.636		-	9.129.636		9.129.636
Sundry payables (*) (b)	-	-	-	-	-	-		2.515.290		-	2.515.290		2.515.290
	-	-	-	-	-	-	-	199.620.882	-	-	199.620.882	-	202.720.393

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Available-for-sale financial assets at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities designated at amortised cost.
(c) Available-for-sale financial assets comprised of unlisted investments for which the fair value cannot be measured reliably, which are measured at cost, possibly decreased due to impairment.
(d) Financial assets and liabilities at fair value on a recurring basis.

30 September 2016
(Amounts in Euro)

Types of financial instruments	Criteria applied in the meauremen of the financial instruments in the financial statements												
	Financial instruments at fair value												
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy				Financial instruments at amortized cost		Unlisted investments measured at cost	Financial statement total as at 30 September 2016		Fair value as at 30 September 2016
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Livel 1	Livel 2	Livel 3		(B)		(C)	(A+B+C)		
ASSETS													
Available-for-sale investments (c)	-	-	-	-	-	-		-		1.500.000	1.500.000		1.500.000
Available-for-sale investments (a) (d)	-	30.870.207	30.870.207	4.968.346	17.600.436	8.301.425		-		-	30.870.207		30.870.207
Available-for-sale debt securities (a) (d)	-	50.772	50.772	-	-	50.772		-		-	50.772		50.772
Non-current financial receivables (*) (b)	-	-	-	-	-	-		79.248.633		-	79.248.633		79.020.596
Non-current sundry receivables	-	-	-	-	-	-		-		-	-		-
Other non-current assets	-	-	-	-	-	-		144.906		-	144.906		144.906
Current financial receivables (*) (b)	-	-	-	-	-	-		94.573.712		-	94.573.712		94.573.712
Investments held for trading (d)	2.264.251	-	2.264.251	2.264.251	-	-		-		-	2.264.251		2.264.251
Trading derivatives (d)	-	-	-	-	-	-		-		-	-		-
Trade receivables (*) (b)	-	-	-	-	-	-		151.370		-	151.370		151.370
Current sundry receivables (*) (b)	-	-	-	-	-	-		4.606.907		-	4.606.907		4.606.907
Cash and cash equivalents (*)	-	-	-	-	-	-		56.242.667		-	56.242.667		56.242.667
	2.264.251	30.920.979	33.185.230	7.232.596	17.600.436	8.352.197	-	234.968.196	-	1.500.000	269.653.426	-	269.425.389
LIABILITIES													
Bonds (current and non-current) (b)	-	-	-	-		-		99.182.965	-	-	99.182.965	-	104.676.446
Financial payables (current and non-current) (*) (b)	-	-	-	-	-	-		75.539.799	-	-	75.539.799	-	75.639.007
Non-current sundry payables and other liabilities (*) (b)	-	-	-	-	-	-		-	-	-	-	-	-
Trade payables (*) (b)	-	-	-	-	-	-		2.427.553	-	-	2.427.553	-	2.427.553
Sundry payables (*) (b)	-	-	-	-	-	-		1.578.023	-	-	1.578.023	-	1.578.023
Trading derivatives	-	-	-	-	-	-		-		-	-		-
	-	-	-	-	-	-	-	178.728.340	-	-	178.728.340		184.321.030

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Available-for-sale financial assets at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities designated at amortised cost.
(c) Available-for-sale financial assets comprised of unlisted investments for which the fair value cannot be measured reliably, which are measured at cost, possibly decreased due to impairment.
(d) Financial assets and liabilities at fair value on a recurring basis.

The valuation techniques adopted for measuring fair value:

The fair value measurement method defined for a financial instrument has been continuously adopted over time, it only changes following significant changes in the market or in particular conditions of the issuer of the financial instrument.
In order to complete the required analysis by IFRS 13, additional information on valuation techniques and the inputs used to measure fair value on a recurring basis are provided below:

I. Fair value measurement of the financial assets and liabilities:

For the active credit and financial liabilities recorded in the financial statements at amortized cost, the fair value is determined according to the following methods:

- for medium / long-term assets and liabilities, the valuation is carried out by discounting future cash flows. The latter is based on the "discount rate adjustment approach" which provides that the risk factors associated with the disbursement of credit are included in the rate used to discount future cash flows;

- for sight assets or liabilities, with a short-term or undetermined maturity and for the first disbursements of financial receivables, the carrying amount recognized net of the analytical write-down is a good representation of the fair value.

In particular, it should be noted that for financial receivables deriving from financing activities recorded on the basis of amortized cost in the statement of financial position, the reference figures relating to the measurement of f*air value* are classified in Level 3 of the fair value hierarchy, and it was estimated by using the discounted cash flow technique. The main inputs used for this assessment are the market discount rates, which reflect the conditions applied in the reference markets for loans with similar characteristics, adjusted to take into account the credit risk of the counterparty.
The nominal value of Cash and cash equivalents generally approximates their fair value considering the short duration of these instruments, which mainly include bank accounts and tied deposits.
Bonds are recorded on the basis of the amortized cost in the financial position statement and the related bonds are quoted on an active market and therefore their fair value is measured with reference to the prices at the end of the period. The indication of their fair value is therefore classified in Level 1 of the hierarchy.
The fair value of Other financial payables is included in Level 2 of the hierarchy and was measured using the discounted cash flow technique. The main inputs used for this valuation are the year-end market interest rates, adjusted in order to take into account market expectations on the risk of company default implicit in the quoted prices of the company's traded securities and the existing derivatives on the company's debts.
For financial instruments represented by short-term receivables and payables and for which the present value of future cash flows does not differ significantly from their accounting value, it is assumed that the accounting value is a reasonable approximation of the fair value.
In particular, the book value of Receivables, other current assets, Trade payables and Other current liabilities approximates the fair value.

II. Measurement of the fair value of equity securities represented by minority investments recognized in the portfolio of financial assets at fair value held for trading.

As of December 31, 2017, there are no minority stakes in the portfolio of financial assets held for trading.

III. Measurement of the fair value of equity securities represented by minority investments recognized in the portfolio of financial assets available for sale

The valuation techniques used to measure the fair value of non-controlling interests recorded in the portfolio of financial assets available for sale include:

- the use of the reference to market values indirectly linked to the instrument to be measured and taken from similar products by risk characteristics (comparable approach);

- the valuations are performed by using inputs not taken from parameters that can be observed on the market and for which estimates and assumptions are made by the evaluator (mark to model approach).

In detail, for the valuation of the fair value of equity securities, different valuation methods are used, these consist of inputs deriving from direct transactions, such as:

- significant transactions on the stock recorded over a sufficiently short period compared to the time of valuation and in constant market conditions,

- comparable transactions of companies operating in the same sector and with each type of products / services provided similar to those of the investee subject to valuation,

- the application of the average of significant stock market multiples of comparable companies compared to the economic-equity values of the investee company;

- the application of valuation methods to the analytical financial income and equity.

The choice between the above mentioned methodologies is not an option, they must be applied in a hierarchical order; priority is given to the official prices available on active markets for assets and liabilities to be measured (effective market quotes) or for similar assets and liabilities (comparable approach) and lower priority is given to unobservable inputs and, therefore, more discretely (Mark to model approach).
When incorporating all the factors that operators consider when setting the price, the valuation models developed must take into account the following: the financial value of time at the risk-free rate, the risks of insolvency, the volatility of the financial instrument and where it is necessary, the exchange rates of foreign currency.
Subscription shares of private equity funds and foreign investment vehicles are valued by using the last available NAV through a sufficiently active market (level 2).
In the absence of a regularly functioning market, for example, when the market does not have a sufficient and continuous number of transactions and volatility, meaning that it is not sufficiently contained, the determination of the fair value of these financial instruments is primarily obtained thanks to the use of valuation techniques in the aim to establish the price of a hypothetical transaction that considers assumptions regarding the risk that the market operators would include in determining the price of the asset or liability, and also would include the risks connected to a particular valuation technique used and its related risk input of the evaluation technique.
As of December 31, 2017, 20% of the minority interests recorded in the balance sheet among the assets available for sale are valued using methods based on the fundamental analysis of the company (level 3).
As of December 31, 2017, valuation methods were not used to consider the transactions that took place on the share within a reasonable time frame with respect to the time of valuation or methods of stock exchange multiples of comparable companies (level 2).

Changes in the financial assets measured at fair value level 3

In the financial year, as of December 31, 2017, there were no visible transfers of financial assets and liabilities measured at fair value on a recurring basis from level 3 to other levels or vice versa resulting from changes in the significant input variables of valuation techniques .
In reference to the financial instruments that are classified in the third hierarchical level of fair value, the following is a breakdown of changes during the year ended as of December 31, 2017, they include profits / (losses) recorded in the income statement:

EUR	Financial assets	Financial liabilities
As at 1 October 2016	**9.852.197**	**0**
(Profit) losses write down in the income statement	(430.725)	0
(Profit) losses write down in the statement of comprehensive income	206.279	0
Issues/extinctions	(5.890.752)	0
As at 31 December 2017	**3.736.999**	**0**

Available-for-sale financial assets measured at level 3 fair value refer for EUR 2,2 million to the shares held in Equinox Two S.c.A., for EUR 1,4 million to the shares held in SIA - SSB S.p.A. and for EUR 0,1 million to the shares held in Nomisma S.p.A.

43.2 Classification of the financial instrument

Financial assets and liabilities categories

In reference to the additional information on financial instruments and related risks required by the international accounting standard IFRS 7 and aimed at illustrating the impact of the financial instruments compared to the extent of the related risk exposures, the chart below reports in details the measures and mechanisms that the company implemented to manage exposure to financial risks.
The additional disclosures required by IFRS 7 are presented separately for the two financial years in order to assess the relevance of the financial instruments in reference to the balance sheet and Mittel SpA' s financial position:

	IAS 39 CATEGORIES				
Financial assets at 31 December 2017	Financial instruments at fair value	Assets held to maturity	Loans and receivables	Available-for-sale financial instruments	Book value
Non-current financial assets:					
Investments	-	-	-	19.184.813	**19.184.813**
Bonds	-	-	-	-	**-**
Other financial assets	-	-	-	-	**-**
Non-current receivables:					
Financial receivables	-	-	74.287.693	-	**74.287.693**
Sundry receivables	-	-	160.267	-	**160.267**
Receivables due from related parties	-	-		-	**-**
Receivables due from customers and other current commercial assets:					
Sundry receivables and other assets	-	-	5.877.280	-	**5.877.280**
Current financial assets:					
Financial receivables	-	-	70.300.996	-	**70.300.996**
Sundry receivables	-	-	-	-	**-**
Other financial assets	-	-	-	-	**-**
Hedging derivatives	-	-	-	-	**-**
Non-hedging derivatives	-	-	-	-	**-**
Cash and cash equivalents					
Bank and postal deposits	-	-	124.905.020	-	**124.905.020**
TOTAL FINANCIAL ASSETS	**-**	**-**	**275.531.256**	**19.184.813**	**294.716.069**

	IAS 39 CATEGORIES				
Financial assets at 30 September 2016	Financial instruments at fair value	Assets held to maturity	Loans and recevaibles	Available-for-sale financial instruments	Book value
Non-current financial assets:					
Investments	-	-	-	27.724.992	**27.724.992**
Bonds	-	-	-	50.772	**50.772**
Other financial assets	-	-	-	-	**-**
Non-current receivables:					
Financial receivables	-	-	79.248.633	-	**79.248.633**
Sundry receivables	-	-	160.267	-	**160.267**
Receivables due from customers and other current commercial assets:					
Sundry receivables and other assets	-	-	4.758.279	-	**4.758.279**
Current financial assets:					
Financial receivables	-	-	94.573.712	-	**94.573.712**
Sundry receivables	-	-	-	-	**-**
Current financial assets	6.909.464	-	-	-	**6.909.464**
Non-hedging derivatives	-	-	-	-	**-**
Cash and cash equivalents					
Bank and postal deposits	-	-	56.234.712	-	**56.234.712**
TOTAL FINANCIAL ASSETS	**6.909.464**	**-**	**234.975.603**	**27.775.764**	**269.660.831**

Financial liabilities as at 31 December 2017	IAS 39 CATEGORIES Financial instruments at fair value	Liabilities at amortized cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	-	**-**
Other financial liabilities	-	-	**-**
Sundry payables and other liabilities	-	-	**-**
Bonds	-	173.023.311	**173.023.311**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	11.880.282	**11.880.282**
Trade payables	-	1.259.492	**1.259.492**
Sundry payables	-	8.933.884	**8.933.884**
Bonds	-	3.072.363	**3.072.363**
Other financial liabilities:			
Hedging derivatives	-	-	**-**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**198.169.332**	**198.169.332**

Financial liabilities as at 30 September 2016	IAS 39 CATEGORIES Financial instruments at fair value	Liabilities at amortized cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	-	**-**
Other financial liabilities	-	-	**-**
Sundry payables and other liabilities	-	-	**-**
Bonds	-	97.873.411	**97.873.411**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	75.539.799	**75.539.799**
Trade payables	-	1.914.942	**1.914.942**
Sundry payables	-	1.509.780	**1.509.780**
Bonds	-	1.309.554	**1.309.554**
Other financial liabilities:			
Hedging derivatives	-	-	**-**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**178.147.486**	**178.147.486**

Transfer between portfolios and reclassifications of financial assets

During the 2016-2017 financial year, the Company did not perform portfolio reclassifications.

43.3 Risk management policies

1. Credit risks

Credit risk represents Mittel’s exposure to potential losses derived from the bad performance of obligations from commercial and financial counterparts. This risk derives primarily from economical-financial factors, or in case of a default situation from a counterpart, or from more specific technical-commercial factors.
The major theoretical exposure to credit risk for Mittel S.p.A. is represented by the accounting value of the financial activities and by the registered credits in the balance sheets. We want to point out that some credit positions are guaranteed by mortgages and pledges on securities.

Provisions for doubtful accounts are handled in a specific manner on the credit assets that show peculiar risk elements. On credit assets that don't show such characteristics provisions are carried out based on average demand estimated according to statistic indicators.

Regarding the afferent credit risk to active components that contribute to the determination of net financial debt, we can highlight that the management of the liquidity assets of the group follows prudential criteria and is divided in the following guidelines:

- money market management, responsible for temporary excess cash in the course of the year, whose reabsorption is expected within the following twelve months.

- bond portfolio management, responsible for the permanent liquidity investment, the investment of that part of liquidity whose reabsorption is forecasted after twelve months due to cash requirements, as well as the improvement of the average asset yield.

In the aim to contain the risk of non-fulfillment of the obligations by the counterpart, deposits are carried out by primary bank institutions with a high credit rating.
In order to minimize the credit risk, the company pursues a diversification policy of its liquidity management by assigning its credit positions to different banks; therefore, there are no relevant positions with any single counterpart.

Quantitative information

Credit exposures: gross and net values

The following chart reports the total gross and net amounts of group financial receivables for the year ended on December 31, 2017 and for the previous one.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Net exposure
Total as at 31 December 2017	**160.221.304**	**(15.632.614)**	**14.588.689**
Total as at 30 September 2016	**180.754.960**	**(6.932.614)**	**173.822.345**

The positions for which an objective condition of partial or total non-recoverability are recognized they are subject to individual write-down. The amount of the write-down takes into account an estimate of the recoverable flows, the related collection date and the fair value of any guarantees.

In reference to the evaluation criteria of credit and loans, we would like to point out that such financial activities are subjected to *impairment* if, and only, in the case of an objective evidence of a reduction of value as a result of one or more events which took place after the initial survey of the activity and that specific event (or events) which had an impact on the future financial flows estimated from the activity.

The expected losses derived from future events are not included on the estimated *impairment,* independently from the probability of occurrence (expected loss). If there is a reduction of value, the company estimates the loss in reference to each credit when it appears singularly significant or it becomes such considering the total credits.

The company calculates the decrease in value according to regulations which differ for their various accounting methods of the credits; in particular, the way to calculate the amount of reduction on the applicable value to credits and recorded loans at amortized costs provides for the loss for reduction due to impairment on loans and receivables or investments, held to maturity and recorded at amortized cost, is measured as the difference between the carrying amount of the asset and the present value of the future cash flows, estimated discounted at the effective original interest rate of the financial instrument.

For accounting purposes, the value of the asset must be reduced directly and the amount of the adjustment entered in the income statement for the period.

Cash and cash equivalents

Cash and cash equivalents of the company amount to EUR 124.911 thousand (EUR 56.243 thousand as of September 30, 2016) and consist of bank deposits.
In the selection of counterparts for the management of temporarily excess financial resources and in the stipulation of financial hedging contracts (derivative instruments), the company only uses interlocutors of high credit *standing.*

In this regard, it should be noted that as of December 31, 2017 there were no significant exposures to risks connected to a possible further deterioration of the overall financial framework.

Guarantees given and received

Budget values as of December 31, 2017 and September 31, 2016 relating to guarantees given to third parties and the commitments for the provision of funds are reported in the following chart:

	31.12.2017	30.09.2016
Financial guarantees issued	-	-
Commercial guarantees issued	6.045.943	5.259.675
Irrevocable commitments to disburse funds	1.253.992	2.706.758
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	-	-
	7.299.935	**7.966.433**

Commercial guarantees are primarily bank guarantees (surety) in favor of the Revenue Agency for VAT requested to be reimbursed and / or compensated for EUR 1.398 thousand in its own account and for EUR 4.648 thousand on behalf of companies of the group.
The commitments for the provision of funds refer to the commitments for payments to be made in private equity funds and foreign investment vehicles.

2. Market risks

Interest rate risk

General aspects

With the term interest rate risk we refer to the setback due to the variation in market rates on the income statement and the balance sheet.
The interest rate risk expresses the change in the economic value of the intermediary, following unexpected changes in interest rates that impact on the bank portfolio, defined as the set of all the assets and liabilities sensitive to interest rates not classified in the trading book.
In order to measure and monitor the interest rate risk profile, at an individual and consolidated level, reports are produced to ensure the timely monitoring of the performance of the debt stock rates.
This reporting system makes it possible to continuously detect the "gap" between the average assets and liabilities and therefore determine the impacts produced by changes in the structure of interest rates on the entire financial statements.

Quantitative information

The financial liabilities that expose the company to interest rate risk also include a medium / long-term floating rate loan.
The following chart identifies the carrying amount of financial assets and liabilities subject to interest rate risk:

Distribution by date of repricing of financial assets and liabilities

Amounts in thousands of Euro

Items/residual duration	Up to 6 months	From after 6 months to 1 year	From after 1 year to 3 years	From after 3 years to 5 years	After 5 years	Undetermined term	Total
Assets							
Debt securities			-	-			-
Medium/long-term financial receivables			33.576	30.163	-	10.549	74.288
Current financial receivables	66.307	3.994					70.301
Available-for-sale financial assets							-
Financial assets at fair value							-
	66.307	**3.994**	**33.576**	**30.163**	**-**	**10.549**	**144.589**
Liabilities							
Non-current bank loans			-				-
Current bank loans	9.508	-					9.508
Bonds	3.072		42.712		130.311		176.096
Other financial payables due to related parties	2.372						2.372
	14.953	**-**	**42.712**	**-**	**130.311**	**-**	**187.976**
Financial derivatives							
Hedging derivatives							-
Trading derivatives							-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	51.355	**3.994**	**(9.136)**	**30.163**	**(130.311)**	**10.549**	**(43.387)**

The data relating to the financial statements as of September 30, 2016 are shown below:

Amounts in thousands of Euro

Items/residual duration	Up to 6 months	From after 6 months to 1 year	From after 1 year to 3 years	From after 3 years to 5 years	After 5 years	Undetermined term	Total
Assets							
Debt securities			-	-			-
Medium/long-term financial receivables			36.618	26.605	-	16.026	79.249
Current financial receivables	78.427	16.146					94.574
Available-for-sale financial assets							-
Financial assets designated at fair value							-
	78.427	**16.146**	**36.618**	**26.605**	**-**	**16.026**	**173.822**
Liabilities							
Non-current bank loans			-				-
Current bank loans	72.859	-					72.859
Bonds	1.310				97.873		99.183
Other financial payables due to related parties	2.681						2.681
	76.849	**-**	**-**	**-**	**97.873**	**-**	**174.723**
Financial derivatives							
Hedging derivatives							-
Trading derivatives							-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	1.578	**16.146**	**36.618**	**26.605**	**(97.873)**	**16.026**	**(900)**

Models and other methods for measuring and managing interest rate risk

Interest rate risk is a variable strongly held in consideration by the Company and has inspired the operational choices implemented for the financing instruments as well as for loans.
In particular, it should be noted the use as a main source of loans for fixed-rate bonds. This strategic choice represents an important risk mitigation factor and entails a modest impact from unexpected changes in interest rates on the economic value of the Parent Company.

Price risk

Quantitative information

General aspects

Market risk refers to all those risks generated by transactions on the markets with regard to financial instruments, currencies and commodities.
Market risks include position, settlement and concentration risk, with reference to the trading portfolio; from the exchange risk and from the position risk on goods, with reference to the entire financial statements.

Qualitative information

In the current operating reality of the Company, the current and prospective market risk is limited.
In line with the approved strategic lines, the strategies for the current year have been moved along lines of great caution and have foreseen a limitation of the negotiation activities in the financial assets, based on a prudent evaluation of the risks connected to the current market phase. In particular, the year's activity took the form of the disposal of the residual trading portfolio held.

Quantitative information

As indicated in the section on qualitative information, in the reality of the company, the current and the prospective market risk are limited, in consideration of the complete disposal of the trading portfolio and the substantial reduction, compared to the previous years as well as for those financial assets available for sale.

Exchange rate risk

General aspects

The exchange risk can generally be defined as the sum of the effects deriving from the changes in the cross currency of the different currencies not belonging to the Euro, on the performance of the company in terms of economic results and cash flows.
The monitoring of the impact of exchange rate developments in transactions carried out on transferable securities in the various currencies not belonging to the Euro, is possible through a reporting that highlights the overall exposure and the impact on the level of loss in training.
These indicators are produced daily and made available to the heads of the operating and control units.
At present, the Company has no operations in areas subject to exchange rate risks.

Quantitative information

The company has no foreign currency exposures.

Sensitivity analysis

The measurement of the exposure to the various market risks is appreciable through the sensitivity analysis, as required by the application of IFRS7; this analysis illustrates the effects induced by a given and hypothetic change in the levels of the relevant variables in the various reference markets (rates, prices, exchange rates) on charges and financial incomes and sometimes, directly on equity.

Interest rate risk - Sensitivity analysis

The change in interest rates on the variable component of debts and liquidity may result in higher or lower financial charges / income and, in particular, if on December 31, 2017 the interest rates had been 100 basis points higher / lower than those actually achieved there would have been, in the income statement, higher / lower financial charges, gross of the related tax effect, for approximately EUR 0.4 million.

Breakdown of the financial structure between fixed rate and variable rate

The table below shows the allocation of the financial structure between the fixed-rate component and the variable-rate component, both for liabilities and for financial assets.

Amounts in thousands of Euro		**31 December 2017**	
	Fixed rate	Variable rate	Total
Bank loans	-	9.508	**9.508**
Bond issue	176.096	-	**176.096**
Other financial liabilities	-	2.372	**2.372**
Total	**176.096**	**11.880**	**187.976**

Amounts in thousands of Euro		**30 September 2016**	
	Fixed rate	Variable rate	Total
Bank loans	-	72.859	**72.859**
Bond issue	99.183	-	**99.183**
Other financial liabilities	-	2.681	**2.681**
Total	**99.183**	**75.540**	**174.723**

Amounts in thousands of Euro	31 December 2017		
	Fixed rate	Variable rate	Total
Financial receivables	29.124	115.465	**144.589**
Other financial assets	-	-	**-**
Total	**29.124**	**115.465**	**144.589**

Amounts in thousands of Euro	30 September 2016		
	Fixed rate	Variable rate	Total
Financial receivables	44.013	129.809	**173.822**
Other financial assets	-	-	**-**
Total	**44.013**	**129.809**	**173.822**

Effective interest rate

The disclosure, is given for classes of financial assets and liabilities and was determined by using, as weight for purposes of weighting, the adjusted book value of the value of accruals and deferrals.

Amounts in thousands of Euro

	31 Dicembre 2017		**30 September 2016**	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	124.911	0,49%	56.243	0,18%
Other financial assets	35.433	2,31%	36.438	1,85%
Other financial assets – related parties	109.156	3,81%	137.384	3,31%
Total	**269.500**	**2,07%**	**230.065**	**2,31%**

Amounts in thousands of Euro

	31 Dicembre 2017		**30 September 2016**	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	9.508	(4,52)%	72.859	(2,44)%
Bond issue	176.096	(4,53)%	99.183	(6,90)%
Other financial liabilities - related parties	2.372	(0,50)%	2.681	(0,50)%
Total	**187.976**	**(4,46)%**	**174.723**	**(4,94)%**

Currency exchange risk - Sensitivity analysis

As of December 31, 2017 (as well as of September 30, 2016), there have been no active and passive financial instruments denominated in different currencies other than those of the company's financial statements, therefore, the exchange rate risk is not subject to sensitivity analysis.

3. Liquidity risks

Liquidity risk is the risk that the company may be in difficulty in fulfilling future obligations associated with financial liabilities as the availability of financial resources is not sufficient to meet the obligations within the established terms and deadlines.
The company pursues the objective of adequate financial stability of the sources, in line with defined strategies. This need has led Mittel S.p.A. to strengthen, through the bond operation carried out during the year and the medium-term financial indebtedness component, as amply highlighted in other sections of this booklet. Furthermore, the company and the Group have an adequate financial flexibility, through additional sources or potential sources of financing through the availability of bank lines and loans.

Please refer to the previous chart (in the section on interest rate risk) for the detailed residual deadlines of assets and liabilities.

In reference to the maturities of cash flows related to the Group's financial exposure, for liquidity risk purposes, the repayment plan envisaged for medium / long-term indebtedness is particularly important. The risk analysis carried out is aimed, among other things, at quantifying, on the basis of contractual maturities, the cash flows deriving from the repayment of non-current financial liabilities held by the company since they are considered relevant for the purposes of liquidity risk.
In order to represent the liquidity risk on the financial exposure of the company deriving from the expected cash flows for the repayment of the financial debt and other non-current liabilities, the following shows the development of cash flows related to annual payment plan.

Amounts in thousands of Euro	**expiring within 31.12 of the year:**				
	2018	**2019**	**2020**	**After 2020**	**Total**
Bank loans	9.508	-			9.508
Bond issue	7.290	51.015	4.632	135.362	198.299
Other financial liabilities	2.372				2.372
Total	**19.170**	**51.015**	**4.632**	**135.362**	**210.179**

4. Information on equity

Shareholders have always been concerned about providing the company with an adequate capital to allow the activities and risk management.
For this purpose, during the financial years the company has taken steps to bring back part of the profits achieved.
Mittel S.p.A is committed to safeguarding the management of capital as well as the company's ability to continue to guarantee profitability for its shareholders and to maintain an efficient capital structure.

44. Advertising of auditing fees and non-audit services pursuant to the Consob Issuers' Regulation, art.149 K (duodecies).

In regard to the information pursuant to the provisions of Article 134K (duodecies) of the Consob Issuers' Regulation on the information regarding the fees paid to the independent auditors KPMG S.p.A. please refer to the information in note 54 of the consolidated financial statements.

Milano, 21 March 2018

For the Board of Directors

The Chairman

Rosario Bifulco

(signed on the original)

Statement on the separate financial statements pursuant to art. 81-ter of Consob Regulation No. 11971 dated May 14, 1999 and subsequent amendments and additions

The undersigned Michele Iori, Director in charge of the internal control and risk management system, and Pietro Santicoli, Manager in charge of preparing the corporate accounting documents of Mittel S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of the legislative decree dated February 24, 1998, n. 58, attest to the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the preparation of the financial statements for the year ended December 31, 2017.

We also certify that the separate financial statements for the year ended as of December 31, 2017:

a) that it was prepared in accordance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated July 19, 2002;

b) that it corresponds to the results of the books and accounting records;

c) that it is suitable for providing a truthful and correct representation of the issuer's equity, economic and financial situation.

The report on operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milano, 21 March 2018

Director in charge of the risk management and internal control system	Manager in charge of financial reporting
Michele Iori	Pietro Santicoli
(signed on the original)	(signed on the original)

Report of the board of statutory auditors pursuant to article 153 of Legislative Decree no. 58/1998 and article 2429 C.C.

To the Shareholders' Meeting of Mittel S.p.A. (hereinafter also Mittel or the Company).

During the financial year 01/10/2016 - 31/12/2017 (15 months) we carried out the supervisory activities required by law and by the Bylaws - according to the principles of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and of Accounting Experts - in which we refer to with this Report, drawn up by taking into account the indications provided by CONSOB with Communication no. 1025564 dated April 6, 2001 and subsequent updates. In particular:

- *we attended the Shareholders' Meeting, the Board of Directors, the Control and Risk Committee and the Remuneration and Appointments Committee, held during the year. The Directors provided timely and appropriate information on the management's general performance and its foreseeable evolution, as well as on the most important economic, financial and equity transactions, in terms of size and characteristics, carried out by the Company and its subsidiaries.*

- *We acquired knowledge and supervised, as far as our responsibilities are concerned, compliance with the law and the Bylaws, compliance with the principles of correct administration and the degree of adequacy of the Company's organization structure. This was carried out through: direct inquiries, by gathering information from managers in charge of specific functions, by periodic exchanges of information with the company in charge of the statutory audit of the accounts and with the members of the Control and Risk Committee as well as the Remuneration and Appointments Committee.*

- *We monitored the adequacy of the risk management and the control systems, of the internal control system and of the administrative and accounting system. We dedicated particular attention to the reliability of this last one to represent the operating events;*
- *we carried out the supervisory activity in accordance with art. 19 of the Legislative Decree 39/2010 and subsequent additions and amendments that assign the role of "Internal Control and Auditing Committee" to the Board of Statutory Auditors, with reference to: a) the financial reporting process; b) the effectiveness of the internal control, internal audit and risk management systems; c) the statutory audit of the annual and consolidated accounts; d) the independence of the Independent Auditors. In reference to the prescribed supervisory activity on the operations of the Independent Auditors, the Board of Statutory Auditors periodically exchanged information with the managers in charge of the activities carried out in accordance with Article 150 of the T.U.F. It analyzed and received the work results and the Reports by the Auditing Company as required by articles 14 of Legislative Decree dated January 27, 2010, n. 39 and 10 of the Regulation (EU) n. 537 dated April 16, 2014 also including the judgment of consistency provided for by art. 14, paragraph two, lett. e) of the Legislative Decree no. 39/2010 and from the art. 123 bis of the Legislative Decree no. 58/1998. It also received the additional report for the Internal Control Committee and the auditing required by art. 11 of the Regulation (EU) n. 537/14, and the annual confirmation of independence pursuant to art. 6 paragraph 2) letter a) of Regulation (EU) 537/2014 and pursuant to paragraph 17 of the international auditing standard (ISA Italia 260). We also monitored the adequacy of the provisions to group companies pursuant to art. 114, paragraph 2, of the Legislative Decree no. 58/1998;*

- *we acknowledged the Remuneration Report pursuant to art. 123 ter of the Legislative Decree dated February 24, 1998, n. 58 and ex art. 84 quater of the CONSOB Regulation 11971/1999 ("Issuers' Regulation") and we have no particular observations to report;*

- *we reviewed and obtained information on the organizational and procedural activity carried out pursuant to Legislative Decree No. 231/2001 regarding the entities' administrative responsibility;*

- *we supervised the conformity of the Procedures of the transactions with the Related Parties with the current legislation;*

- *we monitored the financial reporting process and verified compliance with the laws and regulations regarding the formation and layout of the separate financial statements and consolidated financial statements, as well as the relative accompanying documents. The separate and consolidated financial statements are accompanied by the required declarations of conformity signed by the Chief Executive Officer and the Manager responsible for preparing the company's financial reports;*
- *we verified the adequacy, in terms of the method, of the impairment process used to identify the existence of any loss in value on the assets recorded in the financial statements;*
- *we verified that the Directors' Report for the year from October 1, 2016 - December 31, 2017 is compliant with the laws and regulations in effect, consistent with the resolutions adopted by the Board of Directors, with the facts represented by the separate financial statements and the consolidated financial statements and those relevant after the end of the financial year.*

Throughout our supervisory activities, carried out according to the methods described above, no significant facts emerged that would require reporting to the control bodies, or mention in this report.

* * * * *

The specific indications that have to be provided in this Report are listed below, in accordance with the CONSOB Communication mentioned above as of April 6, 2001 and subsequent updates.

1) We acquired information on the most important economic, financial and equity transactions carried out during the year, through subsidiaries as well, to ascertain that they were carried out in *compliance with the law and the Bylaws and that they were not manifestly imprudent, risky or, in any case, such as to compromise the integrity of the company's assets.*

In referring to the illustration of the main initiatives undertaken during the year contained in the section "Significant events during the year" of the Directors' Report, we hereby certify that, to the best of our knowledge, they were based on principles of correct administration and that the problems related to potential or possible conflicts of interest have been subject to careful evaluation.

2) We were not informed of any atypical and / or unusual transactions carried out during the year, including those within the group or with related parties.

3) Ordinary transactions carried out within the group or with related parties, as well as their main effects of economic nature, are indicated in the Directors' Report and in the Explanatory Notes to the separate and consolidated financial statements.

The Board of Statutory Auditors has ascertained that these transactions are compliant with the law and the Articles of Association, they are in line with the company's interest and are not likely to give rise to doubts regarding the correctness and completeness of the related disclosures in the financial statements, the existence of conflict situations of interests, the safeguarding of company assets and the protection of minority shareholders.

4) We had periodic meetings throughout the year with The Auditing Company KPMG S.p.A., and have entrusted them with the statutory audit of the accounts. On April 05, 2018 they issued the Auditing Reports pursuant to art. 14 of the Legislative Decree no. 39/2010, relating to the separate financial statements and the consolidated financial statements as of December 31, 2017, also including the consistency assessment required by art. 14, paragraph two, lett. e) of Legislative Decree no. 39/2010 and from the art. 123 bis of the Legislative Decree no. 58/1998.

The aforementioned reports do not contain remarks or references to information. The auditing company identified the most significant aspects of the audit of the financial *statements in question (Key Audit Matter KAM) and more precisely: (i) the rating of financial receivables; (ii) the recovery of the value of investments in associated companies and associates (which include "impairment test" activities).*

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In reference to the Declaration of a non-financial nature pursuant to Legislative Decree 254/16. Article. 12 of the Legislative Decree 254/16 provides that the provisions of the Decree apply to financial years beginning on or after January 1, 2017. For the 15-month period of Mittel S.p.A. to the close as of December 31, 2017, which began on October 1, 2016, the company is exempted from presenting the Declaration of a non-financial nature pursuant to the Legislative Decree 254/16.

5) No reports were received from Shareholders regarding ex. art. 2408 c.c.

6) No other reports or observations were received.

7) Throughout the year, the Company, in compliance with the law, appointed the following assignments to the auditing company KPMG S.p.A.-strictly limited to the statutory auditor (for Mittel S.p.A., corresponding to EUR 201.185 and for the other companies of the Group EUR 199.955)-in addition to the tasks forecasted for the statutory audit of the accounts: the release of the Financial Covenants Statement, the Forecasted Data and the tax declaration Statement (for Mittel S.p.A., payment of EUR 253.000 and for other companies of the Group EUR 70.500).

Throughout the year, no significant aspects emerged regarding the independence of the Independent Auditors, including the provisions of the Legislative Decree no. 39/2010 as well.

8) During the year, no assignments were conferred to companies belonging to the "network" of the independent auditors of the accounts KPMG S.p.A.

9) During the year the Board of Statutory Auditors provided, where necessary, opinions and observations as required by law. The content of these opinions was not in contrast with the subsequent resolutions taken by the Board of Directors.

10) 20 meetings of the Board of Directors were held throughout the year: 14 meetings of the Board of Statutory Auditors, 7 meetings of the Control and Risk Committee and 12 meetings of the Remuneration and Appointments Committee.

11) We don't have any particular observations to make regarding the compliance with the principles of a correct administration. In particular, based on the feedback that emerged during the meetings held with the Independent Auditors, the principles of correct administration have always been observed.

12) The Board of Statutory Auditors acknowledged and supervised the adequacy of the organizational structure, through the information received from the heads of the competent corporate functions and meetings with the Independent Auditors in the framework of the reciprocal exchange of relevant data and information.

With specific reference to the management-accounting information system, we found that it was suitable and it provided the information required for the performance of the company's activity according to the guidelines indicated by the Board of Directors.

13) The risk management and internal control system appeared to be adequate to the size and management characteristics of the Company, as reported during the meetings of the Control and Risk Committee, the Board of Statutory Auditors regularly participates to the meetings.

The Board of Statutory Auditors examined the periodic Reports issued by the Head of the Internal Audit Function. The latter ensured the necessary functional and informative connection on the performance of its institutional control duties, on the results of the verifications carried out and through the participation to the meetings of the Board of Statutory Auditors as well.

14) We don't have any observations to point out regarding the adequacy of the administrative-accounting system and on its reliability to correctly represent the management's facts. In reference to the accounting information contained in the separate and consolidated financial statements as of December 31,2017, we *acknowledged the certification of the Chief Executive Officer and the Manager responsible for preparing the corporate accounting documents in accordance to art. 154 bis of the Legislative Decree no. 58/1998 and of the art. 81 ter of the CONSOB Regulation no.11971 dated May 14, 1999 and subsequent amendments and additions.*

15) We don't have any observations to point out regarding the adequacy of the information flows provided by the subsidiaries to the Parent Company aimed at ensuring the timely fulfillment of the disclosure obligations required by law. The coordination activity of the Group's companies, pursuant to art. 114, paragraph 2, of the Legislative Decree no. 58/1998, is also ensured by the presence, in the corporate bodies of the main subsidiaries, of members of the Parent Company's Top Management

16) During the periodic meetings held by the Board of Statutory Auditors with the auditing company responsible for the accounts, pursuant to art. 150, paragraph 3, of Legislative Decree no. 58/1998, no relevant aspects emerged worth being highlighted in this Report.

17) The Board of Statutory Auditors monitored the concrete methods of implementation of the corporate governance rules provided for by the Corporate Governance Code for listed companies promoted by Borsa Italiana SpA, as adopted by the Company and illustrated in the "Report on corporate governance and ownership structure" art. 123 bis of the Legislative Decree no. 58/1998. The Board successfully verified the existence of the independence requirements of its members, and monitored the correct application of the procedures and criteria adopted by the Board of Directors in order to assess the independence of its members.

18) Our supervisory activity was regularly carried out throughout the year, from October 1, 2016 to December 31, 2017, and it did not reveal any omissions, reprehensible facts or irregularities to be noted in this Report.

19) As a summary of the supervisory activities carried out during the year, we don't have any particular proposals to make pursuant to art. 153, paragraph 2, of the Legislative Decree no. 58/1998, in regard to the separate financial statements, its approval and the matters for which we are responsible for, as we don't have any objections to the proposal to cover the year's loss with the available reserves.

Milano, April 5, 2018

The Board of Statutory Auditors

Riccardo Perotta

Maria Teresa Bernelli

Fabrizio Colombo

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Mittel S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Mittel S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Mittel S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of Mittel S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of loan assets

Notes to the consolidated financial statements "Accounting policies": section "Loans and receivables (IAS 32 and IAS 39)"

Notes to the consolidated financial statements "Information on the statement of financial position - Assets": Section 7 "Non-current assets: Financial assets"

Notes to the consolidated financial statements "Information on the income statement": Section 35 "Impairment losses on financial assets, loans and receivables"

Notes to the consolidated financial statements "Risk management policies": Section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Financial assets at 31 December 2017 amount to €144.6 million, accounting for 39% of total assets. Net impairment losses on financial assets recognised in profit or loss during the year totalled €8.7 million. Financial assets relate to a limited number of exposures arising from financial transactions carried out by the Company with group companies and third parties up to 2013. Measuring financial assets is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees and the impact of macroeconomic variables and risks of the sectors in which the Company's and group companies' customers operate. For the above reasons, we believe that the measurement of financial assets is a key audit matter.	Our audit procedures included: — understanding the Company's processes and IT environment in relation to the monitoring and measurement of financial assets; — examining the design and implementation of controls and the performance of procedures to assess the operating effectiveness of the controls held to be relevant, with particular reference to the identification of exposures with indicators of impairment and the calculation of the impairment losses; — analysing financial assets tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — checking the appropriate disclosures on financial assets in the separate financial statements.

Recoverability of the carrying amount of investments in subsidiaries and associates

Notes to the separate financial statements "Accounting policies": paragraph A.2.1 "Investments in subsidiaries and associates (IFRS 10, IAS 27 and IAS 28)"

Notes to the separate financial statements "Information on the statement of financial position - Assets": Section 6 "Equity investments"

Notes to the separate financial statements "Information on the income statement": Section 36 "Impairment losses on equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 include investments in subsidiaries and associates recognised at a cost of €63.3 million, accounting for 17% of total assets. Net impairment losses on equity investments recognised in profit or loss during the year totalled €31.2 million. At each reporting date, the directors check whether there is evidence that these equity investments may be impaired. If indicators of impairment are identified, the directors check, including with the assistance of external consultants, the recoverable amount of the equity investments by comparing their carrying amount to their value in use, calculated using appropriate valuation methods under the circumstances ("impairment test"). Considering the materiality of the financial statements caption and the high level of estimate required to measure the equity investments' recoverable amount, we believe that the recoverability of the carrying amount of investments in subsidiaries and associates is a key audit matter.	Our audit procedures included: — understanding the process adopted to measure equity investments in subsidiaries and associates and to identify any related indicators of impairment; — understanding the process adopted to prepare the impairment tests approved by the Company's directors; — analysing the key assumptions used by the directors to determine the equity investments' recoverable amount. Our analyses included, for each equity investment, checking the indicators of impairment and the assumptions underlying the valuation models and comparing the key assumptions used to external information, where available; we carried out these procedures with the assistance of experts of the KPMG network; — assessing the appropriateness of the disclosures about equity investments and the related impairment test.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Mittel S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 24 March 2016, the shareholders of Mittel S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 30 September 2016 to 31 December 2024.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Mittel S.p.A. are responsible for the preparation of the Bank's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Mittel S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 5 April 2018

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit