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

as at 31 December 2018

This is an **English courtesy translation** of the original documentation prepared in Italian language. Please consider that only the original version in Italian language has legal value.

133rd company year

Contents

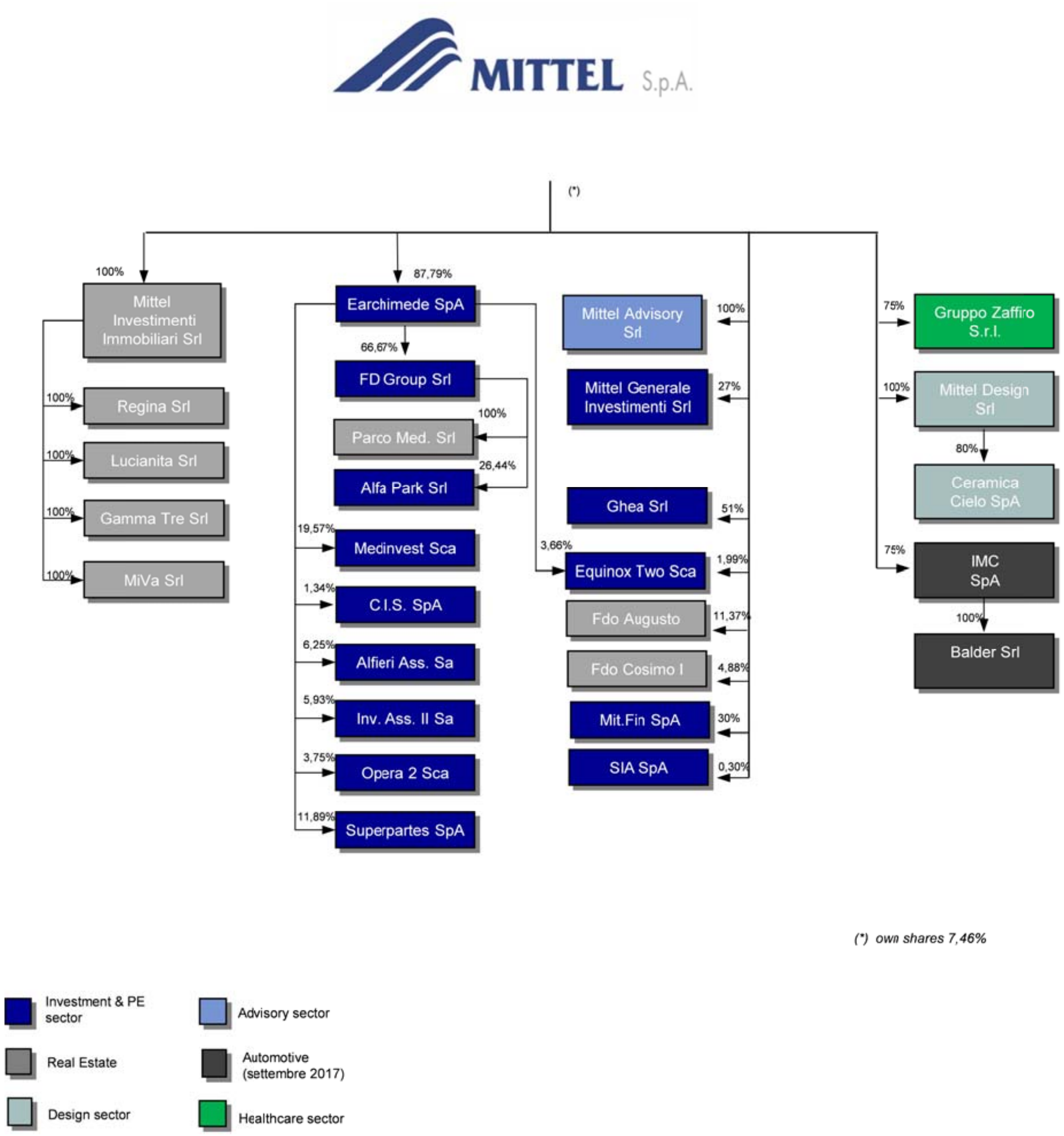
Board of Directors
Chairman
Michele Iori (b)
Deputy Chairman
Marco Giovanni Colacicco (b)
Directors
Anna Francesca Cremascoli (b)
Patrizia Galvagni (a) (c) (e)
Gregorio Napoleone (a) (d) (e)
Riccardo Perotta (a) (c) (d) (e)
Anna Saraceno
Manager in charge of financial reporting
Pietro Santicoli

Board of Statutory Auditors
Standing auditors
Maria Teresa Bernelli - Chairwoman
Fabrizio Colombo
Giulio Tedeschi
Alternate auditors
Stefania Trezzini
Alessandro Valer
Independent Auditors
KPMG S.p.A.

(a) Independent Director
(b) Member of the Executive Committee
(c) Member of the Control and Risks Committee
(d) Member of the Remuneration and Appointments Committee
(e) Member of the Related Party 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 at 29 March 2019



Letter to the Shareholders

Directors’ Report on Operations

Letter to the Shareholders

Dear Shareholders,

At the date of this Report, the first phase of reorganisation of the Group has now been completed, characterised by a significant transformation into an industrial holding company that began in 2016 and confirmed following the recent change in the Company's governance model. The process led to a significant reduction in holding costs, a substantial recovery of financial resources from non-core assets and, starting last year, to the decisive launch of the new investment development phase.

In particular, three important strategic investments have been made up to now in sectors with high return expectations:

- in November 2016, a shareholding equivalent to 75% of Gruppo Zaffiro S.r.l. was purchased, a major player in the Italian healthcare sector; Zaffiro Group represents a solid platform on which to create a business combination process with other operators in the healthcare sector, with the aim of becoming a reference point for the market within a few years, which presents a clear structural growth trend associated with demographic and social factors, while the offer structure is still highly fragmented with significant room for combination;
- in June 2017, a shareholding equivalent to 80% of Ceramica Cielo S.p.A. was acquired, an important player in the production and marketing of designer ceramic sanitary-ware and accessories for the luxury sector in Italy and abroad, with products characterised by a stylistically avant-garde design and an innovative use of materials (with particular attention to R&D and obtaining excellence awards); the transaction’s objective is to create an aggregation platform in the bathroom fixtures sector in which Italy holds, as a result of its design products, a significant and globally recognised position;
- lastly, in September 2017, a shareholding equivalent to 75% of IMC - Industria Metallurgica Carmagnolese S.p.A. was acquired, a large player in the automotive components sector (cold moulding, on steel and aluminium elements, of structural and internal components for the primary producers in the automotive sector), with a solid market position, recognised in the sector for the important technological know-how and high service standards offered to customers. IMC’s positioning, which is as a “back-up supplier” for the internal production of automotive companies, represents a competitive differentiation with respect to other competitors in the stamping sector.

Following these transactions, Mittel increasingly took on the strategic identity of investment holding and the profitability margins of the consolidated financial statements started to benefit from the consolidation of the majority stakes acquired. During 2018, this benefit applied for the entire period and was, however, incorporated in margins originating from the holding activities, which improved due to the rationalisation measures implemented in the meantime.

The first build-up operations were implemented in 2018 in the reference investment sectors described above. In particular, the first tangible results of the intense scouting and analysis activities concerned the Zaffiro Group which, during the year, performed the function of aggregation platform for the other entities operating in the Nursing Home sector:

- in March 2018, the operations business unit of the “Villa Speranza” nursing home in Sanremo was acquired, having 80 beds;
- in June 2018, a property was acquired in Pogliano Milanese, where the Group intends to open a nursing home with over 200 beds;
- on 2 July 2018, the Zaffiro Group unveiled the new nursing home for the elderly, located in Rivignano (Udine); the facility, whose property component acquired in the previous year underwent refurbishment work by the Group, represents an important step in the company’s growth plan through the renovation of already existing buildings or those still to be constructed;
- in December 2018, control of “Villa Gisella” was acquired, a historic structure located in central Florence which currently has over 150 beds; the transaction is a symbol of the Group’s strategy of growth throughout Italy, based on careful research and choosing excellent structures with a long-standing relationship with the community and characterised by high quality standards, in line with those of the structures currently managed by Zaffiro Group.

In addition to the nursing homes that are currently fully operational (eleven in Friuli, Marche, Liguria and Tuscany for about 1,300 beds), real estate development projects are being studied that would add over

2,000 beds and are already partly under construction, such as the new nursing home in Pogliano Milanese, which should be completed by the end of 2019.

At the same time as the investment transactions, the operating cost containment measures and the valuation of non-core assets in the portfolio continued, in order to generate new funding for investments. Specifically:

- with regard to disposals, although there were significant transfers of investments in the previous year (Castello SGR, Intesa Sanpaolo and UBI Banca, ISA and Livanova), in 2018 the sale of assets mainly concerned the property inventories and some collections on financial receivables held by the Group;
- with regard to optimisation measures for the Group's corporate structure, in addition to the various transactions carried out last year, there were additional mergers in 2018 (incorporation of five real estate vehicle companies that were fully owned by the sub-holding Mittel Investimenti Immobiliari S.r.l., incorporation of Mittel Advisory Debt and Grant S.r.l. into Mittel Advisory S.r.l., and Earchimede S.p.A.'s merger of its fully owned subsidiary FD33 S.r.l.) and two liquidations were completed; these transactions will produce their full effects in terms of simplifying management activities and reducing costs beginning in 2019;
- in relation to the availability of financial resources for the investment plan, the Group benefited not only from the issue of a new bond during the previous year, which allowed an overall improvement in the financial structure in terms of cost and duration, but also from the aforementioned disposals carried out in previous years and during 2018; thus, to date, the Company has significant financial resources for new transactions, in line with the strategic objectives being implemented.

Lastly, in the initial months of 2019, the members of the Executive Committee acquired the Company's share capital. This event has significant strategic value and strengthens the alignment of interests between the Company's management and its shareholders, representing an important commitment in carrying out the growth plans.

In the coming months, in line with the Strategic Plan and focusing on the creation of long-term value for all shareholders, Mittel will accelerate the process of transforming into a holding company for industrial investments, while proceeding with the process of recovering financial resources from previous real estate initiatives and financial receivables, as a result of the launch of specific asset-for-asset value creation projects with dedicated project teams, as well as the process of simplifying the corporate structure, with a resulting further reduction in costs.

Group Performance

Group Performance

The consolidated net result for the year, positive for EUR 2.3 million, pertains to the Group for EUR 1.3 million and to third parties for EUR 1.0 million.
This profit was generated by a positive operating margin of EUR 11.4 million, a marked improvement on previous years, mainly attributable to the contribution for the entire year of the positive operating margins of the majority shareholdings that were acquired last year and despite the presence of non-recurring costs at the holding level, including those associated with the mutually agreed early termination of the Chief Executive Officer's employment contract, which occurred at the end of November 2018.
In addition, the positive contributions include a significant extraordinary entry, equivalent to EUR 8.5 million, attributable to a favourable judgement handed down in relation to a previous tax dispute, which resulted in the recognition in the income statement of a collection that had previously been suspended in a liability item.
The positive contributions described above are offset mainly by the loss from financial management of EUR 12.1 million, which also contributes significantly to the extraordinary cost recognised in the provisional update of the estimate of the financial liability for the earn-out recognised upon acquisition of Zaffiro Group. This cost cannot be recorded as goodwill solely due to the final closure, which took place last year, of the accounting process for the business combination based on the provisions of international accounting standards.
In addition to the loss from financial management, which for the ordinary portion is due to charges on financial debt (Mittel bond and bank debt of operating subsidiaries), net of interest income accrued on residual financial receivables held by the Group, note the negative contribution of amortisation, depreciation and allocations, equal to EUR 6.0 million, mainly explained by depreciation of the tangible assets of industrial subsidiaries, and in particular IMC, assets to which were allocated a large portion of the total amount paid at the time of acquisition.

The Group equity as at 31 December 2018 amounted to EUR 221.1 million, a decrease of EUR 2.8 million compared to EUR 223.9 million as at 31 December 2017. The net result pertaining to the Group, positive for EUR 1.3 million, is in fact offset by contrasting movements in equity, with no impact on the income statement, totalling negative EUR 4.1 million. These movements include the impact of the first-time adoption of IFRS 9, negative for EUR 4.4 million, entirely explained by the application of the expected loss model envisaged by the new accounting standard in the impairment process for financial receivables held by the Group.

The consolidated net financial position is negative for EUR 29.5 million, an improvement compared to EUR 101.1 million recorded at 31 December 2017, mainly due to the effect of collections received during the year from the investee Bios S.p.A., which distributed the financial resources generated by the sale of shares of Livanova Plc, which took place in the previous year. This liquidity had not previously been included in the consolidated net financial position as it is held by a company subject to summary consolidation. Moreover, note that substantial positive cash flow deriving from the collection of certain financial receivables, real estate sales, and ordinary management of recently acquired companies, particularly IMC and Ceramica Cielo.

Financial highlights of the Group

The economic, equity and financial tables below are shown in reclassified form with respect to those contained in subsequent paragraphs, in order to highlight certain intermediate results and the equity and financial aggregates deemed most significant for understanding the Group's operating performances. These amounts, even though not provided for by IFRS, are supplied in compliance with the indications in Consob Communication no. 6064293 of 28 July 2006 and CESR Recommendation dated 3 November 2005 (CESR/05-178b).

This report contains several financial ratios, deriving from the financial statements, which provide an overview of the Group's economic, equity and financial performance. Details of economic items not taken directly from the financial statements, and comments and evaluations, help to better qualify the trends in the different values.

Due to the changes in the Group's scope of consolidation during the previous year, at 31 December 2017 it was necessary to modify the structure of the financial statement tables and the reclassified Directors' Report on Operations to reflect the new business model and the Group's more robust role as a holding company for industrial investments. These changes, exclusively in relation to the degree of exposure and the composition of certain interim margins presented, allow a more effective representation of the results achieved.

Finally, note that, due to the change in the closing date that occurred last year, the comparative figures in these financial statements refer to a 15-month period (1 October 2016 - 31 December 2017). Hence, this financial report, referring to a financial year with a normal duration of 12 months, includes balances that are not entirely comparable with those of the previous year, which had a 15-month duration. It should also be taken into consideration that the aforementioned significant changes in the Group's scope of consolidation during 2016/2017 were only partially reflected in the economic balances of the comparison period (Cielo and IMC contributed, respectively, only for one half-year and for one quarter to the result of the 2016/2017 financial year), while they were fully operational only beginning in 2018.

Main economic figures of the Group

(Thousands of Euro)	**31.12.2018 (12 months)**	**31.12.2017 (15 months)**
Revenue and other income	117.652	72.484
Increases (decreases) in inventories	(10.250)	(10.821)
Net revenue	**107.402**	**61.662**
Purchases, provision of services, sundry costs	(65.315)	(42.796)
Personnel costs	(30.662)	(24.491)
Operating costs	**(95.977)**	**(67.286)**
Operating margin (EBITDA)	**11.425**	**(5.624)**
Amortisation/depreciation, allocations and adjustments to non-current assets	(5.950)	(3.302)
Inventory value adjustments	(2.502)	(8.007)
Share of income (loss) of investments	(668)	42.295
Operating result (EBIT)	**2.305**	**25.362**
Profit (loss) from financial management	(12.145)	(10.315)
Result of management and valuation of financial assets and receivables	4.303	(2.641)
Profit (loss) from trading of financial assets	-	354
Profit (loss) before taxes	**(5.538)**	**12.760**
Taxes	7.846	2.407
Net profit (loss) for the year	**2.308**	**15.167**
Profit (loss) pertaining to non-controlling interests	985	(1.684)
Profit (loss) pertaining to the Group	**1.324**	**16.851**

Consolidated revenue and other income of industrial sectors as at 31 December 2018 (represented by the Automotive sector, which includes IMC and its subsidiary Balder, the Design sector, which includes Ceramica Cielo, and the Nursing Home sector, led by Zaffiro Group) is particularly significant, equivalent to EUR 101.5 million, corresponding to nearly 90% of consolidated revenue and other income.
As at 31 December 2018, these industrial sectors contributed for the first time to the consolidated income statement for the entire year, enabling the Group to generate a clearly positive consolidated operating margin of EUR 11.4 million (negative for EUR 5.6 million in the comparison period), as a result of the following net contributions by sector:

- Automotive: EBITDA of EUR 10.0 million, compared to EUR 1.8 million during the 3 months of the comparison period;
- Design: EBITDA of EUR 6.8 million, compared to EUR 2.7 million during the 6 months of the comparison period;
- Nursing Homes: EBITDA of EUR 3.3 million, compared to EUR 2.3 million during the 14 months of the comparison period; the overall trend for the sector, against the positive results of the "traditional" operating companies, was affected by the growth activities, which entailed sustaining non-recurring costs and operating losses, linked to the start-up status of the new operating units;

- Equity and Investments: EBITDA negative for EUR 7.8 million, compared to negative EUR 10.7 million in the 15-month comparison period; during the year, non-recurring costs were incurred at the holding level, including those associated with the mutually agreed early termination of the Chief Executive Officer's employment relationship, which occurred at the end of November 2018;
- Real Estate: EBITDA negative for EUR 1.1 million, compared to negative EUR 0.9 million in the 15-month comparison period; the margin was influenced by non-recurring costs related to a commercial relaunch process for initiatives in the portfolio that was implemented during the year.

Details on the most significant items are presented below.

- **Revenue and other income:** this reclassified item includes the financial statement items for revenue and other income, which, as at 31 December 2018 had a balance of EUR 117.7 million (EUR 72.5 million in the comparison period). This balance was the combined result of the following factors:
  (i) revenue recognition for EUR 113.9 million (EUR 70.6 million as at 31 December 2017); the following sectors primarily contributed to this total:
    - the Automotive sector (IMC S.p.A. and Balder S.r.l.) for EUR 42.1 million (EUR 11.0 million in the 3 months of the comparison period);
    - the Nursing Home sector (Zaffiro Group and subsidiaries) totalled EUR 29.9 million (EUR 29.4 million in the 14 months of the comparison period);
    - the Design sector (Ceramica Cielo S.p.A.) for EUR 26.3 million (EUR 10.5 million in the 6 months of the comparison period);
    - the Real Estate sector for EUR 13.6 million (EUR 16.2 million in the 15 months of the comparison period);

  (ii) the recognition of other income for EUR 3.7 million (EUR 1.8 million in the comparison period), attributable to the Design sector for EUR 1.9 million and the Automotive sector for EUR 1.2 million.

- **Increases (decreases) in inventories:** the negative contribution recorded during the year, amounting to EUR 10.2 million (EUR 10.8 million in the comparison period), is due to the net effect of:
  (i) the reduction for offloading of selling costs of property inventories for EUR 12.1 million (EUR 14.1 million as at 31 December 2017);
  (ii) the increase in property inventories for costs capitalised and other changes for EUR 0.9 million (EUR 0.7 million as at 31 December 2017);
  (iii) the net increase in inventories in the Design sector of EUR 0.7 million (EUR 0.9 million in the comparison period) and the Automotive sector for EUR 0.3 million (EUR 1.7 million in the comparison period).

- **Costs for purchases, provision of services, sundry costs:** this item, totalling EUR 65.3 million (EUR 42.8 million as at 31 December 2017), was heavily influenced by the operating costs of companies acquired in the previous year and includes costs for purchases of EUR 33.7 million (EUR 13.6 million in the comparison period), costs for services of EUR 29.0 million (EUR 24.6 million as at 31 December 2017), sundry costs of EUR 2.6 million (EUR 4.6 million in the comparison period). The main contributors to this item were the following sectors:
  (i) the Automotive sector for EUR 27.1 million (EUR 9.2 million in the 3 months of the comparison period);
  (ii) the Design sector for EUR 15.4 million (EUR 6.7 million in the 6 months of the comparison period);
  (iii) the Nursing Home sector for EUR 13.1 million (EUR 13.0 million in the 14 months of the comparison period);
  (iv) the Parent Company Mittel S.p.A. for EUR 5.8 million (EUR 7.5 million in the 15 months of the comparison period);
  (v) the Real Estate sector for EUR 2.4 million (EUR 4.5 million in the 15 months of the comparison period).

- **Personnel costs:** the item reported a balance of EUR 30.7 million (EUR 24.5 million as at 31 December 2017), of which EUR 13.4 million deriving from the Nursing Home sector (EUR 13.9 million in the 14-month comparison period), EUR 6.6 million relating to the Design sector (EUR 2.7 million in the 6-month comparison period), EUR 6.3 million attributable to the Automotive sector (EUR 1.7 million in the 3-month comparison period), EUR 3.1 million relating to the Parent Company

Mittel S.p.A. (EUR 3.9 million in the 15-month comparison period) and EUR 1.0 million attributable to the Advisory sector (EUR 2.0 million in the 15-month comparison period).

- **Amortisation/depreciation, allocations and adjustments to non-current assets:** the item amounted to a total of EUR 6.0 million (EUR 3.3 million in the comparison period), explained by:
  (i) Depreciation of property, plant and equipment and amortisation of intangible assets, amounting to EUR 5.7 million (EUR 2.6 million in the prior year), explained primarily by the depreciation of the tangible assets relating to newly acquired companies; in particular, the Automotive sector contributed EUR 3.9 million to the item, the Design sector EUR 0.8 million and the Nursing Home sector EUR 0.7 million;
  (ii) Net allocations to the provision for risks and charges for EUR 0.2 million (EUR 0.7 million in the comparison period).

- **Inventory value adjustments:** this item amounts to EUR 2.5 million (EUR 8.0 million as at 31 December 2017) and is nearly entirely due to the value adjustments recognised at the end of the year as part of the measurement of property inventories held.

- **Share of income (loss) of investments:** the item, negative for EUR 0.7 million (positive EUR 42.3 million in the comparison period), is largely composed of the result deriving from the summary consolidation of Bios S.p.A., a company under joint control that, following the sale of Livanova securities in the previous year, concluded its liquidation process at the end of 2018; the significant positive contribution in the comparison period was explained by the gains from the sale of Livanova securities recognised by Bios S.p.A. and its associate Tower 6 bis.

- **Profit (loss) from financial management:** presented a net loss of EUR 12.1 million (loss of EUR 10.3 million in the comparison period); the item is primarily attributable to the negative contribution of the Parent Company Mittel S.p.A. (EUR 5.1 million), which reported financial income of EUR 3.0 million (attributable primarily to the interest accrued on the financial receivables held) and financial expenses for EUR 8.1 million (relating almost entirely to outstanding bonds); the negative net contribution of the Parent Company (as described, amounting to EUR 5.1 million), the Nursing Home sector (EUR 6.8 million) and the Automotive sector (EUR 1.1 million), is in contrast primarily to the positive contribution of EUR 1.1 million of the subsidiary Ghea S.r.l., as a result of the financial income in the comparison period of the associate Bios S.p.A.

- **Profit (loss) from management and valuation of financial assets, loans and receivables:** the item made a positive contribution to the consolidated income statement of EUR 4.3 million (negative contribution for EUR 2.6 million as at 31 December 2017) and is explained by:
  (i) Profit from management of financial activities and investments totalling EUR 8.8 million (EUR 2.6 million in the comparison period), almost entirely attributable, for EUR 8.5 million, to the non-recurring entry related to the favourable judgement that was handed down for the tax dispute that had arisen in previous years for a prior investee, for which a contractual guarantee had been issued at the time it was sold; the guarantee resulted in a payment by Mittel at the time of the initial unfavourable judgement; as a result of the subsequent positive outcome of the dispute, in July 2018 the total preliminary amounts repaid by the Italian Revenue Agency, equal to EUR 8.5 million (of which EUR 6.7 million in the previous year and EUR 1.8 million in June 2018), which, until 30 June 2018, had been deferred in the statement of financial position in a liability item, were then recognised as income in the income statement;
  (ii) Net value adjustments on financial assets and loans and receivables for EUR 4.7 million (EUR 12.5 million in the comparison period), due to the effect of:
    - the fair value adjustment of the real estate mutual funds and investment vehicles held by the Group, which involved a total net value adjustment of EUR 1.0 million (net value adjustment of EUR 2.7 million in the comparison period);
    - net value adjustments on loans and receivables recognised based on updated measurements of these items as the year-end closing date, equivalent to EUR 3.7 million (EUR 9.9 million in the comparison period).

- **Taxes:** the item made a positive contribution to the consolidated income statement of EUR 7.8 million (positive contribution for EUR 2.4 million as at 31 December 2017) and is primarily explained by the net effect of:
  (i) the cost for current IRAP taxes of EUR 1.1 million, relative to the Automotive sector for EUR 0.4 million, the Design sector for EUR 0.4 million, and the Nursing Home sector for EUR 0.3 million;

(ii) revenue from the release of deferred taxes allocated in previous years for EUR 4.7 million;
(iii) revenue from the allocation of deferred tax assets for EUR 4.0 million, due to the significant modifications in the Group's perimeter that occurred with the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, mainly represented by the substantial tax losses in prior years that were carried forward by the Group.

Main financial and equity figures of the Group

(Thousands of Euro)	31.12.2018	31.12.2017
Intangible assets	73.369	68.862
Property, plant and equipment	46.889	43.915
Investments	6.121	55.939
Non-current financial assets	63.665	107.054
Assets (liabilities) held for sale	18.414	-
Provisions for risks, employee severance indemnity and employee benefits	(6.834)	(7.069)
Other non-current assets (liabilities)	746	495
Tax assets (liabilities)	2.821	(1.974)
Net working capital (*)	73.609	81.047
Net invested capital	**278,800**	**348,268**
Equity pertaining to the Group	(221.153)	(223.915)
Non-controlling interests	(28.128)	(23.218)
Total equity	**(249.281)**	**(247.134)**
Net financial position	**(29.519)**	**(101.134)**

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

As detailed below, the composition of the aforementioned items, and in particular intangible assets and property, plant and equipment, reflects the effects of the acquisitions made in the previous year. Conversely, the progress of the disposal of non-core assets has led to a reduction in the related items in the statement of financial position (investments, financial receivables and other non-current financial assets) in recent years.

Intangible assets amounted to EUR 73.4 million (EUR 68.9 million as at 31 December 2017). The item, almost exclusively related to goodwill and trademarks, refers to goodwill relating to the acquisition (which took place in November 2016) of Gruppo Zaffiro S.r.l., company headed up by the Group of the same name active in the Nursing Home sector, for EUR 39.3 million, augmented by EUR 1.1 million relating to the value attributed to the trademark upon conclusion of the purchase price allocation (completed as at 31 December 2017). Also in the Nursing Home sector, additional goodwill was recognised against the build-up operations that were carried out during the year related to the acquisition in March 2018 of the business unit of a nursing home based in Sanremo (EUR 0.5 million in goodwill) and the purchase in December 2018 of the company Villa Gisella, which owns a historic nursing home based in Florence (EUR 3.0 million in goodwill).
Goodwill relating to the acquisition of 80% of Ceramica Cielo S.p.A. (which took place in June 2017) amounted to EUR 5.6 million, augmented by EUR 4.3 million relating to the fair value measurement of the company's trademark, carried out upon conclusion (at 30 June 2018) of the purchase price allocation.
Lastly, goodwill of EUR 19.3 million was booked for the acquisition of IMC S.p.A. The goodwill recognised at the time of the acquisition (completed on 30 September 2017), equal to EUR 35.5 million, had already been reduced to EUR 19.3 million as at 31 December 2017, as a result of the partial allocation to the property, plant and equipment held by IMC (which involved the allocation of the related deferred taxes). As at 31 December 2018, the purchase price allocation (PPA) process for the business combination was completed, with the final confirmation of the allocation values that had been determined as at 31 December 2017.

Property, plant and equipment amounted to EUR 46.9 million (EUR 43.9 million as at 31 December 2017) and were heavily influenced by the contribution of the Automotive sector, amounting to EUR 22.0 million (amount including the partial allocation to IMC presses of the goodwill recognised at the time of the acquisition), the Nursing Home sector, which contributed EUR 15.9 million to the item (of which EUR 9.1 million relating to the Rivignano nursing home acquired under a lease in April 2017 and inaugurated during the year) and of Ceramica Cielo, which contributed EUR 5.6 million to the item (of which EUR 3.2 million attributable to land and buildings and EUR 2.0 million to plant and machinery).

Investments measured using the equity method totalled EUR 6.1 million (EUR 55.9 million as at 31 December 2017). As at 31 December 2018, this item mainly consisted of the investment held by the Parent Company Mittel S.p.A. in Mittel Generale Investimenti S.r.l. (EUR 5.4 million), which is considerably lower than the comparison period due to the completion of the liquidation of the vehicle Bios S.p.A., an investment which accounted for EUR 50.0 million of the balance in the comparison period. This liquidation, which took place after the completion last year of the sale of Livanova securities that were previously held and the closing, in the current year, of a legal dispute that had been pending, resulted in the full distribution of the investee’s liquidity.

Non-current financial assets amounted to EUR 63.7 million and refer: i) for EUR 45.8 million (EUR 81.8 million in the comparison period) to non-current financial receivables, mainly relating to credit positions held by the Parent Company; ii) for EUR 17.9 million (EUR 25.3 million in the comparison period) to other non-current financial assets, represented mainly by shares in real estate UCITS held by the Parent Company and shares in investment vehicles held by Mittel S.p.A. and Earchimede S.p.A.

The item **Assets (liabilities) held for sale** was positive for EUR 18.4 million and was composed of the net value of assets and liabilities that were classified as held for sale in accordance with IFRS 5. Specifically, this value is attributable, for EUR 17.8 million, to a property acquired as part of a business combination in the Nursing Home sector, subject to a sales agreement that was highly likely to be concluded, and for the residual EUR 0.5 million, to the net assets of a company that was in the process of being sold as at 31 December 2018, effectively sold subsequent to the year-end closing. For both entries, the fair value net of sale costs was essentially equal to the carrying amount.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 6.8 million (EUR 7.1 million as at 31 December 2017). In particular, as at 31 December 2018, this item is composed, for EUR 5.3 million, of *Provisions for personnel* (EUR 4.8 million in the comparison period) and, for EUR 1.5 million, of *Provisions for risks and charges* (EUR 2.3 million in the comparison period). The main contributors to the item *Provisions for personnel* were from the Zaffiro Group (EUR 2.1 million), Ceramica Cielo S.p.A. (EUR 1.4 million), Mittel S.p.A. (EUR 0.9 million) and the Automotive sector (EUR 0.7 million). *Provisions for risks and charges* instead refer primarily to Mittel S.p.A. (EUR 0.5 million) and the Fashion District Group (EUR 0.6 million).

The item **Other non-current assets (liabilities)** was positive for EUR 0.7 million (EUR 0.5 million in the comparison period). The item is composed of *Other receivables and other assets* for EUR 0.9 million (a slightly increase compared to EUR 0.6 million as at 31 December 2017) and *Sundry payables and other liabilities* for EUR 0.1 million (value in line with the comparison period).

The item **Net tax assets (liabilities)** was positive for EUR 2.8 million (negative EUR 2.0 million as at 31 December 2017), and is composed of the sum of current tax assets of EUR 5.8 million (EUR 9.5 million as at 31 December 2017) and deferred tax assets of EUR 4.6 million (EUR 0.4 million in the comparison period), offset by deferred tax liabilities of EUR 7.0 million (EUR 10.2 million in the comparison period) and current tax liabilities for EUR 0.5 million (EUR 1.6 million in the comparison period).

Net working capital amounted to EUR 73.6 million (EUR 81.0 million as at 31 December 2017). The item is composed of: (i) the value of inventories for EUR 78.3 million, attributable for EUR 64.8 million to property inventories, for EUR 5.3 million to Ceramica Cielo S.p.A., and for EUR 7.9 million to the Automotive sector; the overall item decreased compared to EUR 90.7 million as at 31 December 2017, mainly due to the offloading of property inventories sold during the year; (ii) sundry receivables and other current assets amounting to EUR 23.2 million (EUR 23.0 million in the comparison period), to which the main contributors were the Automotive sector for EUR 7.0 million (EUR 8.8 million as at 31 December 2017), Ceramica Cielo S.p.A. for EUR 7.9 million (EUR 7.1 million as at 31 December 2017) and the Nursing Home sector for EUR 5.2 million (EUR 2.1 million as at 31 December 2017); (iii) sundry payables and other current liabilities for EUR 27.9 million (EUR 32.6 million in the comparison period), to which the main contributors were the Automotive sector for EUR 8.1 million (EUR 10.8 million as at 31 December 2017), Ceramica Cielo S.p.A. for

EUR 6.9 million (EUR 5.6 million as at 31 December 2017) and the Nursing Home sector for EUR 7.6 million (EUR 4.0 million as at 31 December 2017), in addition to the Parent Company Mittel S.p.A., which contributed EUR 3.9 million to the item (EUR 10.1 million as at 31 December 2017).

As a result, **net invested capital** amounted to EUR 278.8 million (EUR 348.3 million as at 31 December 2017), financed by equity for EUR 250.3 million (EUR 247.1 million in the comparison period) and by the net financial position for EUR 29.5 million (EUR 101.1 million as at 31 December 2017.

Equity pertaining to the Group amounted to EUR 221.2 million (EUR 223.9 million as at 31 December 2017), while that pertaining to non-controlling interests amounted to EUR 28.1 million (EUR 23.2 million as at 31 December 2017).

Given the performance of consolidated equity and profit figures described above, the negative **net financial position** amounted to EUR 29.5 million (EUR 101.1 million as at 31 December 2017). The detailed breakdown of the item is provided below. As described above, the substantial improvement is mainly due to the effect of collections received during the year from the investee Bios S.p.A., which distributed the financial resources generated by the sale of Livanova Plc securities, which took place in the previous year. Note that this liquidity had not previously been included in the consolidated net financial position as it is held by a company subject to summary consolidation. Moreover, note that substantial positive cash flow deriving from the collection of certain financial receivables, real estate sales, and ordinary management of recently acquired companies, particularly IMC and Ceramica Cielo.

Statement relating to the net financial position

(Thousands of Euro)	31.12.2018	31.12.2017
Cash	224	74
Other cash and cash equivalents	223,598	155,397
Securities held for trading	-	-
Current liquidity	**223,822**	**155,471**
Current financial receivables	**-**	**396**
Bank loans and borrowings	(56.615)	(63.089)
Bonds	(174.100)	(176.096)
Other financial payables	(22.626)	(17.817)
Financial debt	**(253.341)**	**(257.002)**
Net financial position	**(29.519)**	**(101.134)**

Information by Business Segment

Information by business segment

The gradual process of implementing the Company's Strategic Plan, focusing on investing in the risk capital of Italian small and medium enterprises with a high level of cash flow generation and on the enhancement of non-core assets in the portfolio (real estate and lending) and/or non-performing assets, led to a significant transformation in the consolidated assets.
In particular, the acquisitions of three target companies completed in the prior year, specifically (i) Gruppo Zaffiro S.r.l. (Nursing Home sector), (ii) Ceramica Cielo S.p.A. (designer ceramic sanitary-ware), and (iii) IMC - Industria Metallurgica Carmagnolese S.p.A. (automotive components), contributed to a diversification and expansion of operating sectors. In view of the above, Mittel Group's current business activities can be broken down into the following operating sectors:

- **Equity and Investments:** sector referring to the Parent Company and the residual set of minority shareholdings and closed-end private equity funds;
- **Nursing Homes:** through its majority shareholding of Gruppo Zaffiro S.r.l., the Group operates in the Italian healthcare industry, providing long-term care services. This sector includes the real estate activities of the Group pertaining to nursing homes;
- **Design:** through its majority shareholding in Ceramica Cielo S.p.A., the Group operates in the design, production, and marketing, at the global level, of toilets, wash basins, sanitary fixtures, and accessories for high-quality, designer bathroom furnishings;
- **Automotive:** through its majority shareholding in IMC - Industria Metallurgica Carmagnolese S.p.A., the Group is active in the automotive sector and, specifically, in the construction of moulds and cold sheet metal stamping;
- **Real Estate:** in this sector, the Group carries out real estate development transactions, largely of a residential/services nature. Mittel also holds units in two closed-end real estate funds;
- **Advisory Services:** the Group provides advisory services for corporate clients, private equity funds, and Italian institutions.

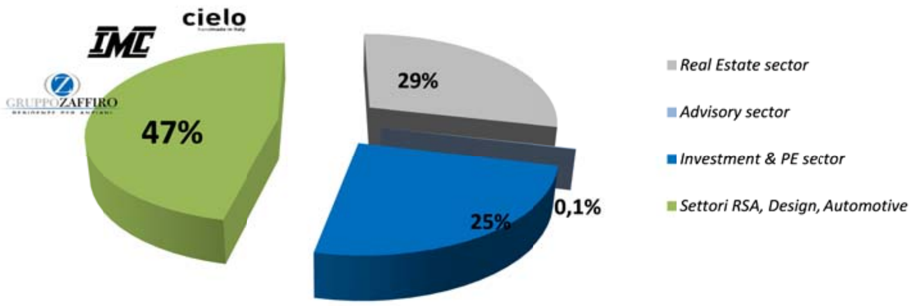
The level of aggregation of the business segments described above is consistent with the Group's current strategic configuration, as well as with the structuring of management control activities by senior management. Therefore, the related information on segment performance is the primary reporting used for

Group management, as required by IFRS 8. The segmentation by geographic area of the Group's activities is not significant, since activities are concentrated within Italy. Segment groupings are defined by the following companies (only main companies are listed):

- Equity and Investments: Mittel S.p.A.; Ghea S.r.l.; Earchimede S.p.A.;
- Nursing homes: Gruppo Zaffiro S.r.l. and subsidiaries;
- Design: Ceramica Cielo S.p.A. and Mittel Design S.r.l. (acquisition vehicle);
- Automotive: Industria Metallurgica Carmagnolese S.p.A. and Balder S.r.l.;
- Real Estate: Mittel Investimenti Immobiliari S.r.l. and subsidiaries; Parco Mediterraneo S.r.l.; Augusto and Cosimo I real estate funds;
- Advisory Services: Mittel Advisory S.r.l.; Ethica&Mittel Debt Advisory S.r.l.. The latter company was sold at the beginning of 2019.

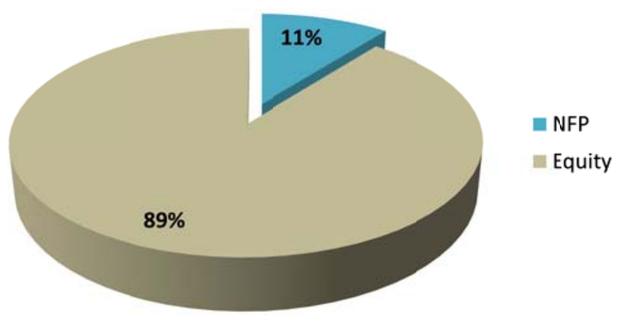
- INVESTED CAPITAL BY BUSINESS SEGMENT -

EUR 278.8 million



- FUNDING SOURCES -

EUR 278.8 million



Income statement by business segment and contributions to group results

Please note that, as regards the breakdown of the income statement by segment, intragroup revenue and costs are re-allocated to the respective sectors in such a way as to measure the generation of the margin relating to each sector as if it were completely autonomous. As regards the breakdown of the statement of financial position by sector, the receivables and payables of each sector include the existing positions with the other sectors, as if each sub-group was autonomous.

31 December 2018 (12 months)

Figures in millions of Euro	December 31, 2018									
AGGREGATED \ CONSOLIDATED	**Revenue**	**Operating Costs**	**EBITDA**	**Amortizating/depreciation and impairments**	**Share of income (loss) of investments**	**Profit (loss) form financial management**	**Result and evaluation of financial assets and**	**Taxes**	**Income (loss) pertaining to non-controlling**	**Income (loss) pertaining to the Group**
Investment & PE sector	1,5	-9,3	-7,8	-0,3	-0,7	-1,2	6,4	9,6	1,3	4,7
Healthcare sector	30,1	-26,8	3,3	-0,8	-	-6,9	-0,1	-0,8	-1,3	-4,0
Design sector	28,9	-22,1	6,8	-0,8	-	-0,2	-0,0	-1,7	0,9	3,3
Automotive sector	43,5	-33,5	10,0	-3,9	-	-1,5	-	-1,4	0,8	2,4
Real Estate sector	2,5	-3,5	-1,1	-2,6	-	-2,4	-2,0	2,1	-0,8	-5,2
Advisory sector	2,0	-1,8	0,1	-0,0	-	0,0	-0,0	0,1	0,1	0,1
IC ELIMINATION	-1,0	1,0	-	-	-	-	-			
CONSOLIDATED TOTAL	**107,4**	**-96,0**	**11,4**	**-8,5**	**-0,7**	**-12,1**	**4,3**	**7,8**	**1,0**	**1,3**

31 December 2017 (15 months)

Figures in millions of Euro	December 31, 2017									
AGGREGATED \ CONSOLIDATED	**Revenue**	**Operating Costs**	**EBITDA**	**Amortizating/depreciation and impairments**	**Share of income (loss) of investments**	**Profit (loss) form financial management**	**Result and evaluation of financial assets and**	**Taxes**	**Income (loss) pertaining to non-controlling**	**Income (loss) pertaining to the Group**
Investment & 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**

Structure of the consolidated statement of financial position by business segment

31 December 2018

Figures in millions of Euro	December 31, 2018									
AGGREGATED \ CONSOLIDATED	**Net working capital**	**Fixed assets**	**Other assets (liabilities)**	**Assets (liabilities) held for sale**	**Invested Capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Pertaining to non-controlling interests**	**Pertaining to the Group**
Investment & PE sector	2,0	59,5	7,2	-	68,7		106,1	174,8		16,6	158,3
Healthcare sector	-4,5	60,0	-2,8	17,8	70,5		-57,8	12,7		3,2	9,5
Design sector	5,0	15,6	-1,4	-	19,1		-1,3	17,9		3,5	14,4
Automotive sector	4,9	41,3	-5,9	-	40,3		-21,9	18,4		4,6	13,8
Real Estate sector	66,3	13,7	-0,2	-	79,7		-57,3	22,5		0,1	22,4
Advisory sector	-0,1	0,0	-0,2	0,7	0,4		2,7	3,0		0,3	2,8
IC ELIMINATION	-	-	-	-	-		0,0				
CONSOLIDATED TOTAL	**73,6**	**190,0**	**-3,3**	**18,4**	**278,8**		**-29,5**	**249,3**		**28,1**	**221,2**

31 December 2017

Figures in millions of Euro	December 31, 2017									
AGGREGATED \ CONSOLIDATED	**Net working capital**	**Fixed assets**	**Other assets (liabilities)**	**Assets (liabilities) held for sale**	**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**

Performance of the Equity and Investments sector

Figures in Euro/000

Investment and PE sector	December 31, 2018	December 31, 2017
Fixed assets	59.498	151.003
Equity	174.833	173.982
Net financial position	106.087	28.342

The Equity and Investments sector includes the parent company Mittel S.p.A. as well as the residual portfolio of non-controlling interests and private equity investment vehicles, which are in the process of being disposed, in a manner compatible with the features of each asset, in order to generate financial resources to be used in acquiring controlling investments, in line with the Strategic Plan. During the year, the completion of the liquidation process for Bios S.p.A. had a significant impact, a company through which Mittel carried out the Sorin S.p.A. / Livanova Plc transaction in previous years, with the resulting distribution of financial resources to the Parent Company. Specifically, note that the Sorin S.p.A. / Livanova Plc turnaround transaction was awarded a special mention during the year by AIFI, the association of risk capital investors.

The process of disposing of non-core assets has significantly changed the asset composition of the sector, with a reduction in fixed assets during the year under review of more than EUR 90 million, mainly attributable to collections of non-current financial receivables and investments.
Although the greatest impact is due to the completion of the liquidation process for Bios S.p.A., which distributed EUR 45.4 million to Mittel, as well as an additional EUR 28.9 million to Ghea S.r.l., which is 51% owned by Mittel, the aforementioned collections referred to minor positions. Specifically, during the year collections were recognised for EUR 7.9 million in reference to the receivable due to the Company from Mittel Generale Investimenti S.r.l., while a receivable due to a subsidiary (Locaeffe S.r.l., which has currently completely its liquidation process) from a third party, recognised in financial statements as at 31 December 2017 under non-current financial receivables for EUR 1.3 million, was collected in July 2018 in the amount of EUR 1.8 million. Finally, during the period, a total of EUR 6.1 million was collected from the Equinox Two fund after realising proceeds from disposals it had carried out.

EBITDA, also affected by non-recurring events such as the termination of the employment relationship with Rosario Bifulco in November 2018 (which entailed the payment of the *pro rata* fixed salary for 2018 as well as a gross total amount of EUR 1.5 million), was negative for EUR 8.2 million.
The result of financial asset and receivable management, positive for EUR 10.4 million, mainly refers to distributions received from the Equinox Two fund, the revaluation of the Locaeffe receivable described above, as well as the positive outcome of the “Auchan/Bernardi” tax dispute: in July 2018, the favourable judgement for Mittel S.p.A. became final and the total amounts provisionally repaid to the Company by the Italian Revenue Agency, equivalent to EUR 8.5 million, were recognised as a contingent asset in the income statement.
Lastly, note the positive impact generated by tax management and resulting from the use of current and previous tax losses against the positive taxable income of the investee companies in the Nursing Home, Design, and Automotive sectors, as part of the tax consolidation. As discussed in detail in other sections of this report, against residual latent tax benefits and the significant changes to the Group’s perimeter as a result of the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, at the end of the year deferred tax assets were allocated, which had an additional positive impact on the result on tax management. As at 31 December 2018, residual previous losses that may be used in the tax consolidation amount to EUR 49.3 million, of which EUR 16.7 million measured as deferred tax assets. Previous tax losses of EUR 60.0 million attributable to Mittel S.p.A. should be added to this value.

Performance of the Nursing Home, Design, and Automotive sectors

According to AIFI (Italian association of risk capital investors) data, excluding large and mega deals, the investments market saw an increase of 16% to EUR 3.86 billion in 2018 and considerable interest from international operators. The number of transactions grew 15% to 359 deals, compared to 311 in the previous year, with the ICT sector in first place with 18% of total transactions, followed by industrial goods and services at 15%, and the medical sector for 12%. At the geographic level, the region that accounted for the majority of transactions was Lombardy with 44% of the deals in Italy by number, followed by Emilia Romagna (10%) and Veneto (8%).

Thus, during the year, the forecasts of sector businesses were confirmed, maintaining or even showing further increases in the multiples related to transactions, even though they had already reached levels that were considered very high in 2017. The elevated degree of competitiveness, with numerous parties currently involved, such as Italian and foreign private equity funds, investment holding companies, club deals, as well as the amount of liquidity available, contributed to a general overheating in valuations of target companies.

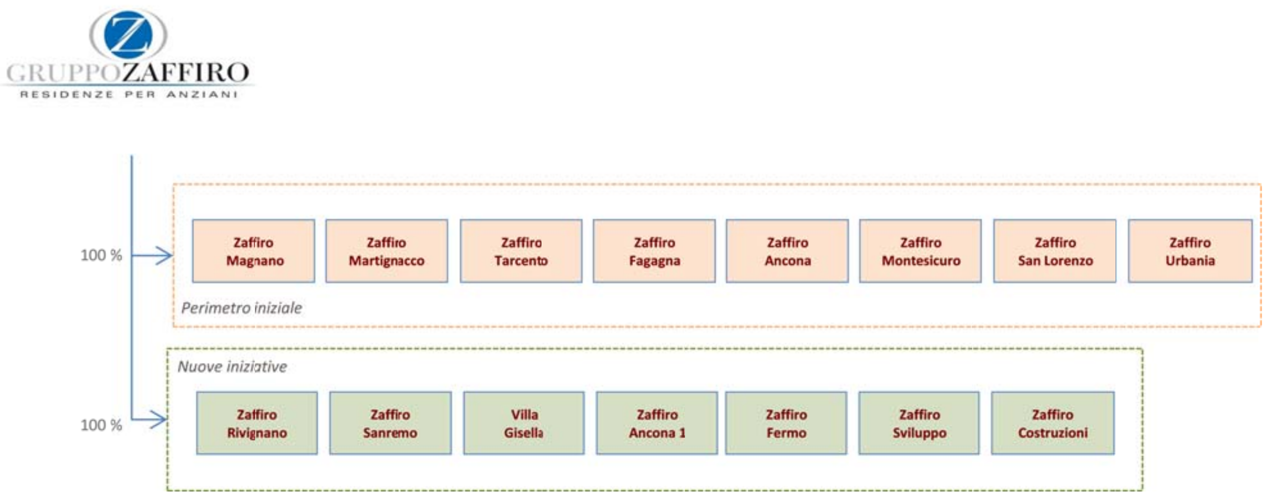
In this competitive framework, along with continuing the process of seeking new investment opportunities, Mittel Group has given particular attention to creating value in the majority investments of the portfolio (Gruppo Zaffiro S.r.l, Nursing Home sector (75%); Ceramica Cielo S.p.A., Design sector (80%); Industria Metallurgica Carmagnolese S.p.A., Automotive sector (75%)), with the objective of strengthening and strategically developing these investments.

Note that, in all the investments made, a non-controlling share was maintained by the selling shareholder, which in the cases of Gruppo Zaffiro S.r.l. and Ceramica Cielo S.p.A. corresponds to the position of Chief Executive Officer, while in Industria Metallurgica Carmagnolese S.p.A., a new Chief Executive Officer was appointed, in agreement with the selling shareholder (who currently owns 25%).

Nursing Home Sector

On 9 November 2016, Mittel acquired, for a total investment of EUR 13.5 million, 75% of the share capital of Gruppo Zaffiro S.r.l. ("Zaffiro Group"), operating in the Italian healthcare industry. As at the acquisition date, Gruppo Zaffiro S.r.l. was active in two Italian regions (Friuli Venezia Giulia and Marche) with 8 structures providing around 900 beds.

Consistent with the build-up approach and the dynamics of a sector in Italy that has a structural deficit in the beds available in specialised facilities for assistance to elderly who are no longer self-sufficient, Zaffiro Group focused its efforts on several fronts, specifically: (i) management of the 8 structures for which it retains the operational component (Magnano, Martignacco, Tarcento, Fagagna, Ancona, Montesicuro, San Lorenzo, and Urbania) in order to achieve an optimal level of occupancy and (ii) search for new development opportunities: (a) management (acquiring nursing home business units that are already operational) and (b) real estate (that is, acquisition of properties on which to build a nursing home or buildings to be refurbished). The corporate structure of the Zaffiro Group updated as at 31 December 2018 and that reflects the aforementioned development process is presented below.



In relation to the sector's performance as at 31 December 2018, excluding the extraordinary effect relative to the estimate of the earn-out to be paid to the seller, which is discussed in other sections of this report and as a result of the significant growth of the Group's traditional business represented by the 8 operating companies acquired by Mittel during 2016, Zaffiro Group experienced twelve months that were heavily focused on growth. In detail, the following took place during the year:

- in March 2018, the operations business unit of the “Villa Speranza” nursing home in Sanremo was acquired, having 80 beds;
- in June 2018, a property was acquired in Pogliano Milanese, where the Group intends to open a nursing home with over 200 beds;
- in July 2018, Zaffiro Group unveiled the new nursing home for the elderly, located in Rivignano (Udine); the facility, whose property component acquired in the previous year underwent refurbishment work by the Group, represents an important step in the company’s growth plan through the renovation of already existing buildings or those still to be constructed;
- in December 2018, the “Villa Gisella” nursing home was acquired, a historical structure located in central Florence and which today has more than 150 beds.

In addition to the nursing homes that are currently fully operational (eleven in Friuli, Marche, Liguria and Tuscany for about 1,300 beds), real estate development projects are being studied that would add over 2,000 beds and are already partly under construction, such as the new nursing home in Pogliano Milanese (Milan), which should be completed by the end of 2019.

At the level of EBITDA generated, despite the positive performance of the “historical” operating companies, the overall trend for the sector was influenced by development activities, which entailed an increase in costs for the Parent Company (personnel and services costs, the latter mainly non-recurring), as well as operating losses associated with the start-up status of the new operating units. In relation to these latter initiatives, note the performance of the Rivignano nursing home, which was inaugurated in July 2018 and therefore posted a negative contribution for the year of EUR 0.3 million, has already exceeded 75% occupancy and during 2019 will become profitable for the Group.

Excluding the position relative to the potential earn-out to be paid based on future results achieved by the 8 structures of Gruppo Zaffiro S.r.l. that were operational at the acquisition date, as well as the loan disbursed by Mittel to Gruppo Zaffiro S.r.l. for the purchase of the equity investment in Villa Gisella S.r.l. in December 2018 and that will be repaid in the first half of 2019, the net financial position of the sector is EUR 31.1 million, including the effects of the investment made during the year and mainly attributable to: (i) acquisition of the Sanremo nursing home, (ii) completion of building works for the Rivignano nursing home, as well as subsequent finalisation of the facility in terms of furnishings and internal structures, (iii) acquisition and development currently in progress for the Pogliano Milanese nursing home, and (iv) strengthening of the net financial position, strictly linked to the property owned by Villa Gisella S.r.l., acquired in December 2018 and which manages the nursing home of the same name in Florence. Based on existing agreements with third parties, this property was reclassified under assets held for sale in the amount of EUR 17.8 million. The sale of this property, currently envisaged for the first half of 2019, will therefore allow the aforementioned loan to be repaid to Mittel.

Design Sector

On 22 June 2017, Mittel acquired a shareholding equivalent to 80% of Ceramica Cielo S.p.A. (“Ceramica Cielo”), a company operating in the production and marketing of designer sanitary-ware and accessories for the luxury sector in Italy and abroad.

Design sector *Figures in Euro/000*	**Ceramica Cielo + Mittel Design**	*%*
Revenue	28,9	
Operating costs	-22,1	
EBITDA	**6,8**	*24%*

The performance of the sector, and specifically of Ceramica Cielo S.p.A., was positive with an EBITDA generated in the 12 months of EUR 6.8 million (EUR 3.1 million in the 6 months it was consolidated during the previous year) and a positive contribution to the overall result of EUR 4.2 million (EUR 3.3 million pertaining to Mittel).

Moreover, the result is to be evaluated considering that, during the year, the company was involved in several initiatives aimed at promoting the brand and products (opening a new showroom in Milan, participating in the Paris trade show and Salone del Mobile in Milan) and, at the same time, costs were increasing with the objective of the gradual expansion in production capacity, in light of growing demand for Cielo brand products (rental of a new facility).
Despite the higher costs incurred as part of these initiatives and needs, the effect of the factors summarised above did not affect the company's margin which, in 2018, is more than 24%.

There was significant generation of cash, with the net financial position for the sector, including the payable for the acquisition by the holding company Mittel Design S.r.l., posting an improvement of more than EUR 4.5 million, totalling EUR 1.3 million as of 31 December 2018.

Automotive Sector

On 27 September 2017, Mittel acquired a 75% shareholding in I.M.C. - Industria Metallurgica Carmagnolese S.p.A. ("IMC"), a company operating in the automotive components sector. Prior to the period closing, IMC acquired 100% of the company Balder S.r.l., a smaller company in the same segment.

Automotive sector *Figures in Euro/000*	**IMC + Balder**	**%**
Revenue	43,5	
Operating costs	-33,5	
EBITDA	**10,0**	*23%*

During the year, the Company confirmed the significant cash generation with a net financial position, including the finance acquisition contract as part of Mittel's acquisition of share capital, that was negative as at 31 December 2018 of EUR 21.9 million (EUR 28.0 million as at 31 December 2017) and with an EBITDA generated in the 12 months of 2018 of EUR 10.0 million (EUR 2.5 million in the 3 months it was consolidated during the previous year).

Furthermore, note that, despite the overall positive results for IMC in 2018, the final months of the year were characterised at the context level by a deterioration in market conditions linked to negative signals related to general future prospects for the economic cycle and, in particular, for the Automotive market. In fact, after growth in the first half of 2018, the data relative to vehicle registrations posted a considerable decline in the last months of 2018 compared to levels reached in previous years, which seems to continue in the current year (-4.6% in January 2019; *Source: ACEA – European Automobile Manufacturers Association*). To combat the situation in the market, IMC undertook a series of commercial development activities, implemented to consolidate relationships with the most important current customers and to diversify its future customer base.

<u>Performance of the Real Estate Sector</u>

In relation to the Real Estate sector, intended as the business of developing initiatives in the residential and services sectors with subsequent retail sale on the market, the Group is now arranging disposal of the outstanding portfolio.

According to data released by sector operators, 2018 is proving to be a positive year for the Italian real estate market, even if investors and households showed more caution compared to 2017. In relation to the residential market, the fourth quarter of 2018 marked the fifteenth consecutive quarter in which the residential market expanded: the growth trend was particularly strong in the two most significant markets, that is Milan, at +9.5%, after -2.4% in the prior quarter, and Rome, +10.9% that is an improvement from the result of the third quarter of 2018, of +3.3% (*Source: OMI - Real Estate Observatory - Quarterly Report*, 7 March 2019). Note that in Milan, in Via Metauro/Via Vespri Siciliani, a residential initiative is being developed that is managed by MiVa S.r.l., a company that is 100% owned by the Group, which is expected to be completed in the first half of 2020.

Figures in Euro/000	*(12 m)*	*(15 m)*
Real Estate sector	**December 31, 2018**	**December 31, 2017**
Revenue	13.664	16.626
Variations in inventories	(11.212)	(13.417)
Operating Costs	(3.506)	(4.156)
EBITDA	**(1.054)**	**(947)**
Inventory value adjustments	(2.552)	(7.857)
Inventories (Real Estate)	**64.928**	**78.321**

In this context, the positive trend of portfolio sales that began in the second half of 2017 continued, with the Group earning revenues of EUR 13.7 million during the 12-month period (essentially in line with the previous year, in which over the 15-month period, revenues were EUR 16.6 million), principally referring to sales for the residential projects located in: (i) Paderno Dugnano (Milan) for EUR 6.7 million; (ii) Arluno (Milan) for EUR 3.6 million; (iii) Milan, Via Lomellina for EUR 1.5 million; (iv) Milan, Piazzale Santorre di Santarosa for EUR 0.7 million.
The overall result of the sector (negative for EUR 4.2 million) was influenced not only by non-recurring costs for the commercial relaunch process for initiatives in the portfolio, adjustments (i) for EUR 1.6 million on property inventories (EUR 7.9 million in the previous year), as well as (ii) EUR 1.9 million on real estate funds owned as part of the related extraordinary transactions and that should lead in the next months to the return of additional financial resources for the Group.

The capital invested by the Group in the real estate sector, reflecting the trends described above, amounted to EUR 79.7 million at 31 December 2018, a continuous reduction compared to EUR 93.8 million at 31 December 2017 and EUR 115.6 million as at 30 September 2016. The value of real estate funds (Augusto and Cosimo I Fund) is equal to EUR 13.6 million, corresponding to the Net Asset Value at 31 December 2018, as communicated by the manager Castello SGR.

Performance of the Advisory Services Sector

As at 31 December 2018, the sector posted profit of EUR 0.1 million and was composed of the companies Mittel Advisory S.r.l. (100%) and Ethica & Mittel Debt Advisory S.r.l., of which Mittel Group owns 51% and Ethica Group S.p.A. owns 49%.
Based on the Group's strategic decision to focus its attention on developing investment activities, the 51% shareholding in Ethica & Mittel Debt Advisory S.r.l. was sold to its management team, represented by the minority shareholder, for EUR 0.4 million in January 2019.

Advisory activities, which to date are performed solely by the captive company Mittel Advisory, will be developed only if associated with investment activities of the Parent Company.

Performance of the Parent Company

Performance of the Parent Company

The Company closed the year ended as at 31 December 2018 with a profit of EUR 43.4 million (net loss of EUR 4.6 million as at 31 December 2017).

The result of the year was largely influenced by non-recurring transactions that were especially large, which include, most importantly, the dividend of EUR 44.9 million distributed by the investee Bios S.p.A. as part of the final liquidation, which took place at the end of December 2018.

Ignoring the extraordinary factors better detailed in the following section commenting on the individual items of the reclassified income statement, the economic performance of the holding company nevertheless benefitted from the rationalisation measures implemented during the year, which resulted in further containment of operating costs and, at the same time, the continuation of the process of enhancing the value of the non-core assets in portfolio, in line with the strategy defined at the Group level, for which reference is made to the earlier section regarding the performance of the Group as a whole.

Equity as at 31 December 2018 amounted to EUR 205.2 million compared to EUR 167.3 million for the year ending 31 December 2017, with an increase of EUR 37.9 million essentially due to the net effect of the profit for the year of EUR 43.3 million and the negative impact of EUR 5.3 million for the first-time adoption of IFRS 9, entirely explained by the application of the expected loss model envisaged by the new accounting standard in the measurement process for financial receivables held by the Group.

The net financial position is positive for EUR 58.8 million (negative for EUR 7.2 million as at 31 December 2017), benefiting in particular from the described distribution from the investee Bios S.p.A. as part of the final liquidation.

Financial highlights of Mittel S.p.A.

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

(Thousands of Euro)	**31.12.2018 (12 months)**	**31.12.2017 (15 months)**
Revenue and other income	1.426	1.954
Purchases, provision of services, sundry costs	(5.801)	(7.466)
Personnel costs	(3.138)	(3.946)
Net operating costs	**(7.513)**	**(9.458)**
Dividends	47,925	43,230
Profit (loss) from investments and financial assets	6,215	7,626
Operating margin (EBITDA)	**46,627**	**41,398**
Amortisation/depreciation, allocations and adjustments to non-current assets	(336)	(412)
Operating result (EBIT)	**46,292**	**40,986**
Profit (loss) from financial management	(2.156)	(6.701)
Value adjustments to investments and financial assets	(8.653)	(41.644)
Profit (loss) from trading of financial assets	-	354
Profit (loss) before taxes	**35,483**	**(7.004)**
Taxes	7,840	2,412
Net profit (loss) for the year	**43,324**	**(4.592)**

As described in other sections of this report, the comparison data presented refer to a year with a duration of 15 months and therefore are not fully comparable with those of the current year.

Details on the most significant of these items are presented below.

- **Revenue and other income:** EUR 1.4 million, compared to EUR 2.0 million as at 31 December 2017.

- **Purchases, provision of services, sundry costs:** EUR 5.8 million, compared to negative EUR 7.5 million as at 31 December 2017; during the year, non-recurring costs were incurred at the holding level, including those associated with the mutually agreed early termination of the Chief Executive Officer's employment contract, which occurred at the end of November 2018; excluding these non-recurring components, the costs of the holding company show a sharp decline from previous years; more specifically, this item of the reclassified income statement includes:
  (i) service costs for EUR 4.7 million (EUR 5.2 million as at 31 December 2017);
  (ii) other costs for EUR 1.1 million (EUR 2.3 million as at 31 December 2017).

- **Personnel costs:** EUR 3.1 million, essentially in line with the comparison period (EUR 3.9 million) if the different duration of the two financial years is taken into consideration.

- **Dividends:** EUR 47.9 million (EUR 43.2 million as at 31 December 2017), of which EUR 44.9 million relative to the aforementioned distribution from Bios S.p.A. in liquidation and EUR 3.0 million relative to the reserves distributed during the year to the subsidiary Locaeffe S.r.l. in liquidation; the latter entry should be considered together with the final result of the liquidation, which was negative for EUR 2.4 million, classified under the item "Profit (loss) from investments and financial assets", for a net positive overall contribution to the income statement of EUR 0.5 million.

- **Profit (loss) from investments and financial assets:** EUR 6.2 million (EUR 7.6 million as at 31 December 2017), primarily explained by the net effect of: a positive, non-recurring entry for EUR 8.5 million related to the favourable final judgement that was handed down for the tax dispute that had arisen in previous years for a prior investee, for which a contractual guarantee had been issued at the time it was sold; the final loss from liquidation of Locaeffe S.r.l. of EUR 2.4 million (as described, to be considered together with the income of EUR 3.0 million distributed during the year). Instead, the positive result for the comparison year was the result of the profits realised for the sale of the investment in Castello SGR S.p.A. (EUR 1.4 million) and shares of UBI Banca S.p.A. (EUR 3.0 million), Intesa Sanpaolo S.p.A. (EUR 1.3 million), ISA S.p.A. (EUR 0.7 million) and Credit Access N.V. (EUR 0.6 million).

- **Profit (loss) from financial management:** loss of EUR 2.2 million (loss of EUR 6.7 million in the comparison period). The item is attributable to the net effect of financial income for EUR 5.9 million (EUR 8.5 million in the previous year), relating mainly to interest income accrued on financial receivables, and financial expenses for EUR 8.1 million (EUR 15.2 million in the comparison period). Note that during the comparison period, financial expenses were heavily influenced by non-recurring costs for EUR 4.5 million connected with the transaction to restructure financing sources carried out by the Company between July and October of 2017.

- **Net value adjustments on investments and financial assets:** totalled EUR 8.7 million (EUR 41.6 million as at 31 December 2017) and referred to:
  (i) Value adjustments on investments for EUR 3.0 million (EUR 31.2 million in the comparison period), entirely attributable to the subsidiary Mittel Investimenti Immobiliari S.r.l., which owns, directly or indirectly, almost all of the property inventories held by the Group;
  (ii) Net value adjustments on financial assets and loans and receivables for EUR 5.7 million, compared to EUR 10.4 million in the prior year; the item consists of EUR 1.5 million in net write-downs of financial assets (EUR 1.7 million in the comparison period), represented by real estate funds and investment vehicles, and EUR 4.2 million for net value adjustments on financial receivables held (EUR 8.7 million in the comparison period) to align the measurements to recovery forecasts and expected collection timing as at the reporting date.
- **Taxes:** the item made a positive contribution to the income statement of EUR 7.8 million (positive for EUR 2.4 million as at 31 December 2017) and is primarily explained by the effect of:
  (i) the recognition of the current tax benefit, totalling EUR 3.6 million, deriving from the use within the tax consolidation of current and previous tax losses and surpluses of interest expense related to the Company;
  (ii) revenue from the allocation of deferred tax assets for EUR 4.0 million, due to the significant modifications in the Group's perimeter that occurred with the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, mainly represented by the substantial tax losses in prior years that were carried forward by the Company.

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

(Thousands of Euro)	31.12.2018	31.12.2017
Intangible assets	41	30
Property, plant and equipment	3,266	3,428
Investments	57,230	63,280
Non-current financial assets	75,987	93,473
Provisions for risks, employee severance indemnity and employee benefits	(1.411)	(1.709)
Other non-current assets (liabilities)	160	160
Tax assets (liabilities)	8,410	7,640
Net working capital (*)	2,784	(6.216)
Net invested capital	**146,466**	**160,085**
Total equity	**(205.259)**	**(167.321)**
Net financial position	**58,793**	**7,236**

(*) Comprised of sundry receivables (payables) and other current assets (liabilities)

Property, plant and equipment and intangible assets amounted to EUR 3.3 million (EUR 3.4 million in the prior year) and are primarily related to the property units where the Company's offices are located, stated at EUR 3.1 million.

Investments amounted to EUR 57.2 million, compared to EUR 63.3 million in the year ended as at 31 December 2017. The decrease in the item is almost entirely explained by the effect of:

- the reduction of EUR 3.2 million related to the completion of the liquidation process of the investee Locaeffe S.r.l. in liquidation, stated at EUR 2.4 million in the comparison period (final distribution of EUR 3.0 million, with a positive contribution to the income statement of EUR 0.6 million) and Bios S.p.A. in liquidation, stated at EUR 0.8 million at the beginning of the year (final distribution of EUR 45.5 million, with a positive contribution to the income statement of EUR 44.7 million)
- value adjustments of EUR 3.0 million recorded following impairment tests performed at year end on Mittel Investimenti Immobiliari S.r.l.

Non-current financial assets amounted to EUR 76.0 million, compared to EUR 93.5 million in the year ended as at 31 December 2017, marking a decrease of EUR 17.5 million. This was essentially due to the effect of:

- the decrease of EUR 13.9 million of non-current financial receivables, which passed from EUR 74.3 million to EUR 60.4 million due to the net effect of: (i) the reduction of EUR 4.5 million due to the first-time adoption of IFRS 9 and the expected loss model envisaged by the new standard for measuring receivables; (ii) the net reductions of EUR 5.2 million for collections and interest; (iii) value adjustments totalling EUR 4.2 million made at the end of the year based on recovery forecasts and expected collection timing as at the reporting date;
- the decrease of EUR 3.6 million in other non-current financial assets, which fell from EUR 19.2 million to EUR 15.6 million due to: (i) lower sales of assets and collections for EUR 2.2 million; (ii) net valuation reductions of EUR 1.5 million.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 1.4 million, slightly lower than 31 December 2017 when they were EUR 1.7 million. In particular, as at 31 December 2018, this item is composed, for EUR 0.9 million, of Provisions for personnel and, for EUR 0.5 million, of Provisions for risks and charges.

Tax assets amounted to EUR 8.4 million, compared to EUR 7.6 million in the prior year, marking an increase of EUR 0.8 million. This item is essentially comprised of: (i) current tax assets for EUR 4.4 million, a sharp reduction compared to EUR 7.7 million in the previous year due to the Company's use of offsetting during the year and intercompany sales in favour of the subsidiaries for their subsequent use in offsetting; (ii) deferred tax assets for EUR 4.0 million, that did not exist in the comparison year, due to the aforementioned significant modifications in the Group's perimeter that occurred with the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, mainly represented by the substantial tax losses in prior years that were carried forward by the Company.

Net working capital, made up of Sundry receivables and other current assets and Sundry payables and other current liabilities, amounted to a positive EUR 2.8 million, (negative EUR 6.2 million in the previous year) marking a net increase of EUR 9.0 million. The significant variation refers to: (i) EUR 4.0 million for the increase in Sundry receivables and other current assets (from EUR 5.9 million to EUR 9.8 million), due principally to the increase of intercompany tax entries (above all, for the described inclusion in the tax consolidation of new companies with considerable taxable income); (ii) EUR 5.0 million for the reduction of Sundry payables and other current liabilities (from EUR 12.1 million to EUR 7.0 million), explained mostly, as previously described, by the handing down of the final favourable judgement for a tax dispute, which resulted in the reversal of a liability in which the reimbursements that had been collected until that time were temporarily suspended (EUR 6.7 million as at 31 December 2017).

Equity amounted to EUR 205.3 million, compared to EUR 167.3 million as at 31 December 2017, marking an increase of EUR 38.0 million. The change is, as previously described, due to the net effect of the profit for the year of EUR 43.3 million and the negative impact of EUR 5.3 million for the first-time adoption of IFRS 9, entirely explained by the application of the expected loss model envisaged by the new accounting standard in the impairment process for financial receivables held by the Company.

Net financial position is positive for EUR 58.8 million and compares to positive EUR 7.2 million in the previous year, with a total improvement of EUR 51.6 million, mainly as a result of the distributions from the investees Bios S.p.A. in liquidation (EUR 45.5 million) and Locaeffe S.r.l. in liquidation (EUR 3 million) and net collections of non-current financial receivables during the year.
In terms of components, the following table provides a breakdown of changes in values in the company's net financial position.

Statement relating to the net financial position

(Thousands of Euro)	**31.12.2018**	**31.12.2017**
Cash	7	6
Other cash and cash equivalents	161,566	124,905
Securities held for trading	-	-
Current liquidity	**161,574**	**124,911**
Current financial receivables	**71,411**	**70,301**
Bank loans and borrowings	(92)	(9.508)
Bonds	(174.100)	(176.096)
Other financial payables	-	(2.372)
Financial debt	**(174.192)**	**(187.976)**
Net financial position	**58,793**	**7,236**

Information regarding Investees

Information on the principal investees

Mittel S.p.A. main subsidiaries

- **Gruppo Zaffiro S.r.l.** (75%): for information on the investee and its subsidiaries, refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Nursing Home Sector), and the consolidated explanatory notes.

- **Ceramica Cielo S.p.A.** (80%): for information on the company, an investee through the special purpose vehicle Mittel Design S.r.l. (100% Mittel), refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Design Sector), and the consolidated explanatory notes.

- **IMC S.p.A.** (75%): for information on the company and its wholly owned subsidiary Balder S.r.l., refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Automotive Sector), and the consolidated explanatory notes.

- **Mittel Advisory S.r.l.** (100%)
The company operates in the Advisory Sector, offering financial consulting services (corporate finance, debt restructuring). In November 2018, as part of the process to rationalise the Group's corporate structure, Mittel Advisory S.r.l. merged the companies Mittel Advisory Debt and Grant S.r.l. (also wholly owned by Mittel S.p.A.). The latter company was traditionally active in the fields of consultancy to customers in analysing and obtaining alternative sources of financing or which complement bank funding (including subsidised loans and outright grants) and in October 2016 transferred the business unit relative to these activities to Ethica & Mittel Debt Advisory S.r.l., in which it had a 51% shareholding. In February 2018, the residual mandates of Mittel Advisory Debt and Grant S.r.l., which were managed by the subsidiary through a specific assignment, were then transferred to the subsidiary. Thus, Mittel Advisory Debt and Grant S.r.l. owned only the shareholding in Ethica & Mittel Debt Advisory S.r.l., which, as a result of the merger, combined in the merging company Mittel Advisory S.r.l.

Dati economici (Euro '000)	31.12.2018 (12 mesi)	31.12.2017 (15 mesi)
Valore della produzione	507	1.397
Costi della produzione	-732	-1.392
Risultato operativo	**-225**	**5**
Proventi e oneri finanziari	2	8
Risultato ante imposte	**-223**	**13**
Imposte	221	183
Risultato netto	**-2**	**196**

Dati patrimoniali (Euro '000)	31.12.2018	31.12.2017
Partecipazioni	88	-
Disponibilità liquide	2.682	896
Altre attività	336	1.621
Totale Attività	**3.106**	**2.517**
Totale Passività	**556**	**149**
Patrimonio netto	**2.550**	**2.368**

Mittel Advisory S.r.l. closed the year 1 January 2018 - 31 December 2018 with revenues of EUR 0.5 million (EUR 1.4 million in the comparison period), a net result that was essentially at the break-even level (profit of EUR 0.2 million as at 31 December 2017), and equity totalling EUR 2.6 million, an increase of EUR 0.2 million compared to EUR 2.4 million in the comparison period, as a result of the merger by incorporation of Mittel Advisory Debt and Grant S.r.l., which was effective for accounting purposes from 1 January 2018 and resulted in an equivalent increase in equity at the beginning of the year for the merged company (not an investee of the merging company).
Based on the Group's strategic decision to focus its attention on developing investment activities, the 51% shareholding in Ethica & Mittel Debt Advisory S.r.l. was sold to its management team, represented by the minority shareholder, for EUR 0.4 million in January 2019.
Hence, as discussed in the section on sector information, advisory activities, which to date are performed solely by the captive company Mittel Advisory S.r.l., will be developed only if associated with investment activities of the Parent Company.

Ethica & Mittel Debt Advisory S.r.l. (51%)
The company, which was the beneficiary of the transfer in October 2016 of the business units of Mittel Debt and Grant S.r.l. and the Debt Advisory business unit from Ethica Corporate Finance S.p.A., offers consultancy to customers in analysing and obtaining alternative sources of financing or which complement bank funding (including subsidised loans and outright grants).

Dati economici (Euro '000)	31.12.2018 (12 mesi)	31.12.2017 (15 mesi)
Valore della produzione	1.520	1.822
Costi della produzione	-1.178	-1.547
Risultato operativo	**342**	**275**
Proventi e oneri finanziari	1	-
Risultato ante imposte	**343**	**275**
Imposte	-101	-92
Risultato netto	**242**	**183**

Dati patrimoniali (Euro '000)	31.12.2018	31.12.2017
Totale Attività	1.253	1.271
Totale Passività	636	905
Patrimonio netto	**617**	**366**

The company closed 2018 with a profit of about EUR 0.2 million (substantially in line with the comparison period) and revenues of EUR 1.5 million (EUR 1.8 million in 15 months of the comparison period). At the end of the year, equity amounted to about EUR 0.6 million. As previously described, in January 2019, the 51% investment held by the Group, through Mittel Advisory S.r.l., was sold to the minority shareholder for the price of EUR 0.4 million.

- **Mittel Investimenti Immobiliari S.r.l.** (100%)
The Mittel Group, through Mittel Investimenti Immobiliari S.r.l. (hereinafter MII), operates in the real estate field, making investments in the residential and tertiary sectors, both directly and through investee companies. In October 2018, as part of a larger project to simplify the Group's corporate structure, the wholly owned subsidiaries Breme S.r.l., Cad Immobiliare S.r.l., Fede S.r.l., Iniziative Nord Milano S.r.l. and Santarosa S.r.l. were merged into MII, with accounting and tax effects backdated to 1 January 2018. Therefore, the following figures for 2018 reflect the merger, with the resulting inclusion in the statement of financial position of assets previously owned by the merged companies, replacing the values of the investments and receivables held by MII prior to the merger, and in the income statement, the respective income components generated during the year.

Dati economici (Euro '000)	31.12.2018 (12 mesi)	31.12.2017 (15 mesi)
Valore della produzione	1.693	780
Costi della produzione	-3.028	-1.327
Risultato operativo	**-1.335**	**-547**
Proventi e oneri finanziari	-1.516	368
Rettifiche di valore di partecipazioni	-1.670	-7.663
Risultato ante imposte	**-4.521**	**-7.842**
Imposte	1.339	238
Risultato netto	**-3.182**	**-7.604**

Dati patrimoniali (Euro '000)	31.12.2018	31.12.2017
Partecipazioni	2.912	3.837
Crediti finanziari	14.989	61.478
Rimanenze immobiliari	44.678	8.812
Altre attività	4.301	2.190
Totale Attività	**66.880**	**76.317**
Totale Passività	**59.649**	**65.974**
Patrimonio netto	**7.231**	**10.343**

The result for the year ended 31 December 2018 shows a loss of EUR 3.2 million, compared to a loss of EUR 7.6 million for the year ended as at 31 December 2017 (15-month financial year). The company posted revenues of EUR 12.2 million, which were partially offset by changes in inventories that were overall negative for EUR 10.5 million and operating costs that totalled EUR 3.0 million, which were, however, heavily influenced by non-recurring costs related to a commercial relaunch process that was

implemented during the year for initiatives in the portfolio. The operating result, negative for EUR 1.3 million, was offset by a tax benefit of an equivalent amount, deriving from the recognition of current and previous tax losses and surpluses of interest expense that are deductible as part of the Group's tax consolidation. Thus, the loss for the year is essentially explained by the value adjustments on investments for EUR 1.7 million (EUR 7.7 million in the prior year) and by net financial expenses of EUR 1.5 million (net financial income of EUR 0.4 million in the comparison period, when financial charges on passive investments with the Parent Company Mittel S.p.A. were offset by financial income for subsidiaries that have since been merged). The adjustments on investments refer to the effect of updating the estimated recoverable value of residual investments after the merger, made on the basis of the companies' equity, which in turn incorporate the valuation of their property inventories. The property inventories held by the investees mentioned as well as those owned directly (including following the aforementioned mergers) were valued with the help of an external appraiser.
Equity as at 31 December 2018 amounted to EUR 7.2 million, compared to EUR 10.3 million as at 31 December 2017. This change reflects the effect of the loss for the year. The described mergers did not entail the recognition of significant merger differences, as the carrying amounts of the investments at the beginning of the year were substantially in line with their net equity.

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

Arluno – Via Giorgio Ambrosoli
In April 2013, the company completed the construction, on an area purchased in December 2008 in Arluno (MI), of a residential complex composed of two buildings of four floors each above ground, in addition to attics and basements, for a total of 98 apartments, a garage with 1 underground level, for a total of 105 garages, and uncovered parking for a total of 44 parking spaces.
During the year, sales of EUR 3.4 million were recorded (EUR 2.7 million in the previous year). The carrying amount of inventories as at 31 December 2018 was EUR 5.8 million (EUR 8.8 million in the comparison period). The order was valued at the end of the year with the support of the external appraiser and did not show any evidence of impairment.

Paderno Dugnano – Via Pepe
The company, in an area owned in the municipality of Paderno Dugnano (MI), centrally located and in the immediate vicinity of the railway station, constructed a residential complex housing 149 apartments and around 1,800 square metres of tertiary/commercial space, plus 2 underground garage levels, plus public works, such as a library, a square with portico and an underground public car park.
During the year, sales of EUR 6.7 million were recorded (EUR 2.7 million in the previous year). The carrying amount of inventories as at 31 December 2018 was EUR 6.9 million (EUR 13.2 million in the comparison period). The order was valued at the end of the year with the support of the external appraiser and did not show any evidence of impairment.

Milan – Via Ludovico di Breme
The company constructed a management building in Milan, Via Di Breme 78, with 8 above-ground levels for a total commercial space of 4,010 square metres, plus an underground garage with 55 car parking spaces, external green areas and an uncovered car park with 20 car parking spaces.
Works were completed and the associated definitive testing took place in February 2014.
A six-year lease agreement has been in place since 1 January 2015, with automatic renewal for a further six years, for the entire first floor, in addition to other parts of the property used for warehouse and services, as well as some covered and uncovered parking spaces.
The property inventories owned by the company were valued with the help of an external appraiser and did not result in the recognition of write-downs during the year.

Vimodrone (Milan) – Via Grandi
This is an industrial/craft trade complex covering roughly 5,000 square metres in which the expected renovation and expansion works were performed for the relevant split-up sale. The works have been completed and tested.
The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.

Felizzano (Alessandria) – Via Roma
This is a property complex which sits on an area of 116,720 square metres, housing industrial facilities, warehouses and offices, for a vacant and free commercial area of 46,500 square metres.
The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.

Bresso – Via C. Romani
The management/industrial/craft building complex in Bresso (Milan) is composed of three lots which have been gradually renovated.
During the year, sales totalling EUR 0.9 million were recorded (EUR 1.5 million in the previous year). The carrying amount of inventories as at 31 December 2018 was EUR 2.8 million (EUR 3.5 million in the comparison period).
The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.

Milan – Piazzale Santorre di Santarosa
The inventory properties held are represented by a property complex situated in Milan, Piazzale Santorre di Santarosa 9, of approximately 5,000 square metres of total gross surface area which have been under renovation for the last few years and is currently being concluded, with only some property units and one commercial unit that are not yet completed, for the purpose of allowing the possibility for the future user to choose the finishing that are most appropriate for its ultimate use.
During the year, sales totalling EUR 0.7 million were recorded (EUR 1.5 million in the previous year). The carrying amount of inventories as at 31 December 2018 was EUR 2.8 million (EUR 3.5 million in the comparison period).
The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.

Investments of Mittel Investimenti Immobiliari S.r.l.

Lucianita S.r.l. (100%)
The sales of the units in the property complex owned by the company, located in Via Lomellina no. 12 in Milan, are essentially concluded, with only two garages and two basements remaining as at 31 December 2018 at a carrying value of EUR 0.1 million.
During the year, revenues were recognised for EUR 1.5 million (EUR 3.1 million in the comparison period).
As at 31 December 2018, the company was essentially at break-even (loss of EUR 0.9 million in the comparison period) and posted equity of EUR 1.2 million.

MiVa S.r.l. (100%)
The company's activity is targeted at increasing the value of the property complex located in Milan, in Via Vespri Siciliani 29 and Via Metauro 9 now at the construction phase.
Following some delays due to difficulties with the general contractor that had initially been identified, in July 2017 a request for a building permit was submitted in order to continue the works of completing the property, and during 2018 a tender contract was signed with a new general contractor, who restarted the construction activities in December 2018.
As at 31 December 2018, the company was essentially at break-even and posted equity of EUR 2.6 million. The valuation at the lower between the cost and the market value of the property inventories, conducted by an external appraiser, did not require any value adjustments to the property initiative, stated at EUR 13.8 million.

Gamma Tre S.r.l. (100%)
The company owns an area in Como housing a disused industrial complex (around 15,800 square metres of buildings out of an area of 22,000 square metres) in Via Cumano and a building in Via Canturina, used for offices (around 1,800 square metres) plus 800 square metres of basement space and an external courtyard area.
For the Via Cumano area, the approved Recovery Plan and the associated Agreement stipulated in November 2010, with expiry extended first until November 2018 and then until November 2021, for the completion of the urban development works, make it possible to build 5 residential towers for a total volume of 38,200 cubic metres, which can be further increased by 10% for a total of more than 200 apartments. To ensure that the area meets safety standards, the existing buildings were demolished and the underlying areas reclaimed.
The project and its multi-stage implementation are still to be defined in relation to the trend in purchases and sales in the residential real estate market. Meanwhile, negotiations are under way for the transfer of the buildable land to local operators and/or co-operatives.
As at 31 December 2018, the company recorded a loss of EUR 1.2 million (EUR 1.9 million as at 31 December 2017) and equity of EUR 0.4 million.
The result for the year incorporates the value adjustments to the property initiatives owned by the

company for EUR 1.0 million (EUR 1.5 million in the previous year), due to the valuation at the lower between the cost and the market value of the property inventories. The property inventories owned by the company were valued with the help of an external appraiser.

Regina S.r.l. (100%)
The company Regina S.r.l. owns a property complex in Via Regina 23 in Como, acquired in July 2011, at the same time as the stipulation of the Agreement with the Municipality, in enactment of the Implementation Plan approved previously for the construction of a residential building covering 6,731 cubic metres.
Functional verifications of the executive design are at an advanced stage and construction for the property development should begin no later than the end of March 2019.
As at 31 December 2018, the company recorded a net loss of EUR 0.4 million (loss of EUR 0.1 million as at 31 December 2017) and equity of EUR 0.1 million.

- **Earchimede S.p.A.** (85,01%)
The company carries out private equity vehicle activities and acts as a holding company for investments. As regards holding activities, it is important to note the investment held in Fashion District Group S.r.l. in liquidation, for 66.67% of the share capital, which in turn owns 100% of the share capital of Parco Mediterraneo S.r.l., which owns land of approximately 600,000 square metres in Belpasso (Catania).

Dati economici (Euro '000)	31.12.2018 (12 mesi)	31.12.2017 (15 mesi)
Valore della produzione	-	15
Costi della produzione	-146	-166
Risultato operativo	**-146**	**-151**
Proventi e oneri finanziari	-	2.249
(Rettifiche)/Riprese di valore di attività finanziarie	143	-5.750
Risultato ante imposte	**-3**	**-3.652**
Imposte	38	34
Risultato netto	**35**	**-3.618**

Dati patrimoniali (Euro '000)	31.12.2018	31.12.2017
Partecipazioni	4.303	8.903
Attività finanziarie che non costituiscono immobilizzazioni	1.816	4.881
Disponibilità liquide	9.279	3.035
Altre attività	536	542
Totale Attività	**15.934**	**17.361**
Totale Passività	**150**	**1.651**
Patrimonio netto	**15.784**	**15.710**

The company closed the year ended as at 31 December 2018 at essentially a break-even level (loss of EUR 3.6 million as at 31 December 2017). The equity of Earchimede S.p.A. as at 31 December 2018 amounted to EUR 15.8 million (value substantially in line with the prior year).
In October 2018, as part of a larger project to simplify the Group's corporate structure, the wholly owned subsidiary FD 33 S.r.l. was merged into Earchimede S.p.A., with accounting and tax effects backdated to 1 January 2018. The transaction did not entail the recognition of significant merger differences, as the carrying amount of the investment at the beginning of the year was substantially in line with its net equity. Thus, the data for 2018 reflects the effects of the merger, with the resulting inclusion in the statement of financial position of assets previously owned by the merged company, mainly represented by cash and cash equivalents and a 33.33% shareholding in Fashion District Group S.r.l. in liquidation, a company in which Earchimede already holds a direct investment for an additional 33.33%.
In relation to Fashion District Group S.r.l. in liquidation's 100% stake in Parco Mediterraneo S.r.l., note that the latter owns an area located in the Municipality of Belpasso (Catania) of around 600,000 square metres, originally intended for the "Centro di Logistica Mediterraneo" ('Mediterranean Logistics Centre') property project. In relation to the administrative dispute regarding the planning permission for the use of this land, note that on 27 November 2017, the Administrative Justice Council for the Region of Sicily, under appeal, pronounced a final judgement and accepted the appeal of Parco Mediterraneo S.r.l., recognising the validity of the three-year plan. Subsequently, the Municipality issued the certificate that the planning permission had been changed, modifying its use to an "area intended to the construction of an industrial site", as it was originally specified. Nevertheless, although the directors of Parco Mediterraneo immediately took all appropriate measures to extend the effective date of the building permit, it expired on 1 July 2018 and the Municipality did not allow an extension, despite the fact that the

deadline expired solely because of the Municipality's earlier rejection of the planning permit, with the aforementioned final recognition by the Justice Council of the full merits of Parco Mediterraneo's claims. Thus the directors are taking all actions that may be useful with regard to the Municipality to protect the company's interests. At the same time, during the year, activities continued to obtain the best possible valuation of the land, despite the evident damage caused by the aforementioned dispute with the Municipality, against which the directors decided, based on the valuation of an external appraiser, for a prudent valuation of the prospects for the land.

- **Ghea S.r.l.** (51%)
The company had, as its principal asset, an open receivable with the company Bios S.p.A. and all of its 681,818 category B shares which, pursuant to article 26 of the Articles of Association, provided specific asset rights to the holder with respect to holds of ordinary shares. During the previous year, as a result of the conclusion of the transfer of the investment previously held by Bios S.p.A. in Livanova, Ghea S.r.l. had already fully collected the receivable previously held from Bios S.p.A., recognised at acquisition cost, which was lower than the sum of the nominal value and interest. This collection resulted in the recognition of considerable proceeds in the income statement. During 2018, following the completion of the liquidation process for the investee Bios S.p.A., Ghea S.r.l. collected in full the share of equity to which it was entitled as category B shareholder, realising an additional gain in the income statement.

Dati economici (Euro '000)	31.12.2018	31.12.2017
Valore della produzione	-	-
Costi della produzione	-45	-42
Risultato operativo	**-45**	**-42**
Proventi e oneri finanziari	14.702	10.668
Rettifiche di valore di attività e passività finanziarie		-
Risultato ante imposte	**14.657**	**10.626**
Imposte	-289	-3.033
Risultato netto	**14.368**	**7.593**

Dati patrimoniali (Euro '000)	31.12.2018	31.12.2017
Immobilizzazioni finanziarie	-	14.032
Disponibilità liquide	25.105	3.420
Altre attività	26	64
Totale Attività	**25.131**	**17.516**
Totale Passività	**333**	**7.087**
Patrimonio netto	**24.798**	**10.429**

As at 31 December 2018, the company recorded net profit of EUR 14.4 million (EUR 7.6 million in the comparison period) while equity totalled EUR 24.8 million (EUR 10.4 million as at 31 December 2017), essentially represented by cash and cash equivalents, net of tax payables to be settled.

Main companies subject to joint control and associates

- **Mittel Generale Investimenti S.r.l.** (27%)
The company, while retaining its nature as an authorised financial intermediary pursuant to Articles 106 and 107 of the Consolidated Banking Act, provided credit (directly and/or syndicated) and acted as a consultant in organising the financing of mainly extraordinary transactions, carried out by companies and private or institutional investors, on security and real estate markets.
Subsequently, Mittel Generale Investimenti S.r.l. ceased operations as an authorised financial intermediary, merely continuing its existing credit management activities with the aim of efficient repayment of the credit positions held.
Moreover, note that during the 2016/2017 financial year, the parent company Liberata S.r.l., which owned 100% of the share capital of Mittel Generale Investimenti S.r.l., was merged into the latter. As a result of this merger, Mittel S.p.A., which owned 27% of Liberata S.r.l., currently owns the same percentage of the share capital of Mittel Generale Investimenti S.r.l.
During 2018, the investee took actions to collect its portfolio of financial receivables, using the liquidity from these collections to partially repay the vendor loan (former Liberata S.r.l.) outstanding with Mittel S.p.A. During November 2018, the company asked Mittel S.p.A. to extend the repayment of the vendor

loan from 31 December 2018 to 31 December 2019. The requested extension was justified by the fact that these credit positions require an appropriate time period to identify the most suitable action, of an ordinary or extraordinary nature, to enhance the value of the receivables in order to safeguard the capital of the company and shareholders. Mittel S.p.A. qualified the transaction as a transaction with related parties, as the company is an associate in which Mittel S.p.A. holds a 27% interest. Furthermore, Fondazione Cassa di Risparmio di Trento e Rovereto is also a related party, directly holding 36.5% of the share capital of Mittel Generale Investimenti S.r.l., in addition to an indirect shareholding through Progetto Co-Val S.p.A., of 24.579% of the share capital of Mittel S.p.A. On 19 December 2018, the Board of Directors of Mittel S.p.A., following the request from Mittel Generale Investimenti S.r.l. to extend the due date, approved the extension until the final term of 31 December 2019, maintaining the same interest rate, equal to the Euribor plus a 4.75% spread.
As at 31 December 2018, the company posted a net loss of EUR 0.9 million (loss of EUR 1.7 million in the prior year) and equity of EUR 21.6 million (EUR 22.6 million as at 31 December 2017). Residual financial receivables amount to EUR 35.2 million (EUR 43.4 million as at 31 December 2017) and cash and cash equivalents of EUR 1.7 million. The vendor loan with Mittel S.p.A. amounts to EUR 17.4 million (EUR 24.4 million in the comparison period).

Significant events in the year

Implementation of measures defined in the Strategic Plan

The year was characterised by the growth process of Gruppo Zaffiro S.r.l. In detail, the following took place during the year:

- in March 2018, the operations business unit of the “Villa Speranza” nursing home in Sanremo was acquired, having 80 beds;
- in June 2018, a property was acquired in Pogliano Milanese, where the Group intends to open a nursing home with over 200 beds;
- in July 2018, Zaffiro Group unveiled the new nursing home for the elderly, located in Rivignano (Udine); the facility, whose property component acquired in the previous year underwent refurbishment work by the Group, represents, along with the initiative of Pogliano, an important step in the company’s growth plan through the renovation of already existing buildings or those still to be constructed;
- in December 2018, control of the “Villa Gisella” nursing home was acquired, a historical structure located in central Florence and which today has more than 150 beds.

Governance and corporate events

On 26 April 2018, the ordinary Shareholders' Meeting of Mittel S.p.A., resolved:

- to approve the Directors’ Report on Operations and the Financial Statements for the year ended 31 December 2017 (15 months), as well as the proposal to cover the loss for the year of EUR 4,592,489 by using the available reserves;
- to approve the free assignment to shareholders, in the form of an extraordinary dividend, of a maximum of 5,811,508 ordinary treasury shares, based on ratio of 1 ordinary treasury share for every 13 ordinary shares held by each shareholder other than Mittel S.p.A.

On 9 May 2018, the dividend resolved by the Shareholders’ Meeting was paid (coupon detachment date of 7 May 2018 and record date of 8 May 2018). A total of 6,559,649 treasury shares was held by the company following the distribution.

On 17 July 2018, the company Progetto Co-Val S.p.A. (“Bidder”), in which, as of said date, Seconda Navigazione S.r.l. held a stake of 69.18% and Fondazione Cassa di Risparmio di Trento and Rovereto held a stake of 30.82%, informed the market, pursuant to and in accordance with art. 102, paragraph 1, of the TUF (Consolidated Law on Finance) and art. 37, paragraph 1, of the Issuers’ Regulation, that on the same date, the legal requirements were verified for the promotion, by Progetto Co-Val S.p.A., of a full mandatory take-over bid in accordance with articles 102 and 106, paragraph 1, and art. 109 of the Consolidated Law on Finance (“Bid”).

The Bid was approved by CONSOB on 4 September 2018 and on 30 October 2018, the Bidder acknowledged the final results of the Bid, including following the re-opening of the terms of the Bid. Based on these results, a total of 37,483,852 shares participated in the Bid, equivalent to 72.734% of the shares relevant to the Bid, and 42.640% of the Issuer’s share capital for a total value of EUR 65,596,741.00.

Taking into consideration the Issuer’s treasury shares and the criteria of article 44-bis, paragraph 5 of the Issuers’ Regulation, the investment relevant for purposes of calculating the threshold envisaged in article 108 of the Consolidated Law on Finance, held by the Bidder and persons acting in concert with the Bidder, is therefore more than 90% but less than 95%, precisely equal to 91.796%. In compliance with the indications in the Bid document, the Bidder stated its intention to re-establish within 90 days a sufficient level of free floating shares to ensure regular trading. The transaction to re-establish free float occurred in January 2019.

On 30 November 2018, a settlement agreement through which the Company and Rosario Bifulco mutually agreed to terminate the employment relationship between the two parties in advance, with the resulting resignation of Rosario Bifulco, having immediate effect, from the role of Director, Chairman, and Chief Executive Officer of the Company, as well as all roles held in Group companies. The resignation of Rosario Bifulco marked the conclusion of an initial phase of the Company’s reorganisation, which involved redefining the strategic vision of Mittel as a holding company of industrial investments, through the implementation of the Strategic Plan presented to the market in March 2016.

On the same date, the Board of Directors outlined the Company's new governance model with the appointment of Michele Iori as Chairman of the Board of Directors and the establishment, for operational management, of an Executive Committee consisting of Marco Colacicco (Chairman) and Michele Iori and Anna Francesca Cremascoli.

On 19 December 2018, the Board of Directors resolved to convene the Shareholders' Meeting on 28 January 2019, in execution of the commitments assumed by the Company upon the mutual and early termination of the employment relationship with Rosario Bifulco, with the agenda consisting of the irrevocable waiver of derivative liability litigation, pursuant to article 2393 of the Italian Civil Code, brought against him. Furthermore, noting that on 3 December 2018 Giovanni Raimondi submitted his resignation, the Board of Directors decided not to proceed with co-opting his replacement and, for purposes of allowing a full renewal of the administrative body through a list vote, pursuant to article 15 of the Articles of Association, the remaining directors resigned on the same date, effective on the date of the Shareholders' Meeting convened for 28 January 2019.

Other significant events

In July 2018, the favourable ruling for Mittel S.p.A. in relation to a tax dispute initiated in previous years concerning Hopa S.p.A. (merged in Mittel S.p.A. in 2012) became final. The total provisional amounts repaid to the Company by the Italian Revenue Agency, equal to EUR 8.5 million (of which EUR 6.7 million in the previous year and EUR 1.8 million as at June 2018), which, as at 30 June 2018, were deferred in the statement of financial position in a liability item, were recognised as a contingent asset in the income statement in the second half of 2018.

Finally, in relation to the positive trend during the year of the Snia dispute, please refer to the specific section.

Significant events after 31 December 2018

Governance and corporate events

On 24 January 2019, members of the Executive Committee of Mittel S.p.A. Marco Giovanni Colacicco - through a company controlled by him - and Michele Iori, as well as a company in which the member of the Executive Committee Anna Francesca Cremascoli holds a non-controlling stake, notified the Company that they had purchased from Progetto Co-Val S.p.A., as part of a larger transaction designed to re-establish the Company's free float following the take-over bid promoted by the latter and concluded in November 2018, shares representing 2.15% of the share capital of the Company for a total investment of EUR 3.3 million (price of EUR 1.75 per share).

On 28 January 2019, the shareholders of Mittel S.p.A., who gathered for the ordinary Shareholders' Meeting chaired by Michele Iori, resolved the following:

- to set the number of members of the Board of Directors as seven;
- to call upon the following to form the Board of Directors, which shall remain in office for three financial years, i.e. until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021: Michele Iori (Chairman), Marco Giovanni Colacicco, Anna Francesca Cremascoli, Riccardo Perotta, Anna Saraceno, Patrizia Galvagni, and Gregorio Napoleone, indicated in the sole list submitted by the shareholder Progetto Co-Val S.p.A.;
- to set the gross salary of the Board of Directors at EUR 140,000.00 (one hundred and forty thousand euros), in relation to the offices assigned, for each of the three years of the mandate, delegating the allocation of this amount to the Board of Directors and granting it the ability to assign additional compensation to directors assigned with particular offices pursuant to the law;
- to exonerate directors from the prohibition detailed in article 2390 of the Italian Civil Code;
- to confirm the appointments - assumed by the Board of Directors on 30 November pursuant to article 2401 of the Italian Civil Code - of Giulio Tedeschi as Standing Auditor and Maria Teresa Bernelli as Chairwoman of the Board of Statutory Auditors, and to appoint Alessandro Valer and Stefania Trezzini as Alternate Auditors, proposed by the shareholder Progetto Co-Val S.p.A., to supplement the current Board of Statutory Auditors - who will remain in office until the date of the

Shareholders' Meeting convened to approve the financial statements as at 31 December 2018 - and in compliance with regulations governing gender equity.

Among other items, the Shareholders' Meeting resolved, unanimously for all attendees, in line with the commitments assumed by the Company on 30 November as part of the mutual and early resolution of the employment relationship with Rosario Bifulco, to irrevocably waive derivative liability litigation, pursuant to article 2393 of the Italian Civil Code, brought against him, in relation to any fact and/or behaviour of the latter in carrying out the role of Director, Chairman of the Board of Directors, and Chief Executive Officer held by Mr. Bifulco in the Company and/or of the aforementioned employment agreement, in any case excepting cases of fraud.

The Board of Directors of Mittel S.p.A., which met after the Shareholders' Meeting, confirmed the Company's new governance model, which entails, in continuation, the appointment of Marco Giovanni Colacicco as Deputy Chairman and the establishment, for operational management, of an Executive Committee consisting of Marco Giovanni Colacicco (Chairman) and Michele Iori and Anna Francesca Cremascoli.

The Board of Directors also appointed the members of the Board's internal committees, specifically:
- Control and Risks Committee: Chairman Riccardo Perotta, member Patrizia Galvagni;
- Remuneration and Appointments Committee: Chairman Riccardo Perotta, member Gregorio Napoleone;
- Related Party Committee: Chairwoman Patrizia Galvagni, members Riccardo Perotta and Gregorio Napoleone;
- Director in charge of the risk management and internal control system: Anna Francesca Cremascoli.

Business outlook for the year

Over the course of the previous year, the initial phase of the Company's reorganisation was concluded, which involved redefining the strategic vision of Mittel as a holding company of industrial investments, through the implementation of the Strategic Plan presented to the market in March 2016 that included, in addition to a significant reduction in costs for the holding company and the recovery of financial resources from non-core assets for more than EUR 200 million, the acquisition of majority control of 3 investments platforms, specifically, Gruppo Zaffiro S.r.l. (Nursing Homes), Ceramica Cielo S.p.A. (Design), and Industria Metallurgica Carmagnolese S.p.A. (Automotive).

Mittel is currently accelerating the investment process, focusing its efforts in two directions.

Firstly, targeting the consolidation and growth of the existing sectors, that is: nursing homes, designer ceramic sanitary-ware, and automotive components, areas of activity that constitute the true platforms on which the Group can introduce both internal and external growth.

Secondly, Mittel intends to look for new investment platforms with the goal of creating long-term value, through the acquisition of companies that express Italian business excellence, to be combined with the Group's financial and strategic contribution.

The acquisition of share capital by members of the Executive Committee that took place in the initial months of 2019 has significant strategic value and strengthens the alignment of interests between the Company's management and its shareholders. It represents an important commitment to implement the project, currently being developed, that will entail the transformation of Mittel into a holding company of industrial investments.

Acquisition transactions will be financed not just by the Group's significant cash reserves, but also with additional funding that is being generated from the intensification of the disposal process for non-strategic assets, currently in relation primarily to the real estate sector and financial receivables, which will, over time, account for an increasingly smaller portion of the Group's consolidated assets.

Main ongoing legal proceedings and disputes

Snia S.p.A. in Amministrazione Straordinaria (under extraordinary administration) disputes

Snia S.p.A. in Amministrazione Straordinaria (under extraordinary administration)

On 5 November 2013, the parties' first hearing was held in relation to the writ of summons served on 20 January 2012, from Snia S.p.A. in Amministrazione Straordinaria (hereinafter, "Snia"), by which that company summoned Mittel S.p.A. ("Mittel") (then Hopa S.p.A.), 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 natural persons (former Directors and Statutory Auditors of Snia and Bios S.p.A.) before the Court of Milan to ascertain their alleged joint liability pursuant to articles 2394 bis, 2476, paragraph 7, 2497, 1175, 1375, 2043 of the Italian Civil Code, as well as art. 90 of Legislative Decree no. 270 of 1999 and to have them sentenced to compensate the damages allegedly suffered by Snia, provisionally quantified at approximately EUR 4 billion.
As grounds for the claims, the Proceedings of the plaintiff company made allegations of significant illegal conduct attributable to its parent companies, directly and indirectly, as well as to former Directors and Statutory Auditors of Snia and Bios S.p.A. These specifically include the alleged illegality of the Snia Shareholders' Meeting resolution adopted on 26 June 2003 with the decisive vote of Bios S.p.A., which allegedly approved a split-off damaging to Snia and the company's creditors with abuse of management and coordination. According to the plaintiff's line of reasoning, that transaction was specifically carried out to gain interest outside of the company, exclusively attributable to the direct shareholder Bios S.p.A. and 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. It is also alleged that the contested split-off was carried out by drawing up and subsequently approving untruthful financial statements, including, specifically, those for 2002, which, as no significant liabilities were recorded for Snia, suitable for writing down some of their investments as a result of for environmental charges and reclamation costs, allegedly represented a financial situation of the plaintiff company much different from the actual situation. In any event, Snia attributes liability to Bios S.p.A. as the direct, controlling shareholder, due to management and coordination and unified management, pursuant to art. 2497 of the Italian Civil Code and art. 90 of Legislative Decree no. 270 of 1999, respectively.
Snia asked for compensation from the defendants (i) of EUR 388 million relating to the above-mentioned split-off, (ii) of around EUR 3.5 billion in relation to alleged environmental damages deriving from the management of chemical sites belonging to Snia and to its subsidiaries, and (iii) of around EUR 200 million in relation to the consequences of Snia continuing in its business despite the fact that, according to the plaintiff's arguments, it had already lost its share capital. The case was heard before the Business Section of the Court of Milan (case ref. no. 5463/2012, Judge Perozziello).
The Ministry of the Environment and Protection of Land and Sea ("Environment Ministry") and the Ministry of the Economy and Finance ("Finance Ministry") intervened before the court, having filed a single notice of voluntary joinder pursuant to articles 105 and 267 of the Code of Civil Procedure supporting the claims formulated by Snia and, specifically, those regarding the considerable environmental damages for which the plaintiff demanded compensation.
With regard to the preliminary activities, please refer to the extensive explanation provided in the Company's financial statements in recent years, emphasising that the judgement was re-opened for decision following the exchange of memorandums, based on the deeds.
On 10 October 2016, the Court of Milan filed the decision rejecting all claims filed by Snia and the Environment Ministry against Mittel, ordering Snia and the Environment Ministry to pay EUR 0.3 million in legal expenses to the Company. Specifically, in decision no. 1795/2016, the Court deemed the Environment Ministry's intervention in the proceedings to be inadmissible, and rejected or declared lack of capacity to sue of Snia for all claims filed against Mittel.
Through separate appeals, Snia and the Environment Ministry challenged the decision in question, by which they obtained suspension of the costly order to pay legal expenses on the grounds that any different decision in the appeal proceedings would result in difficulty in the large amounts being repeated by 67 parties.
Pending the judgement on the Appeal, Mittel and Snia reached a settlement agreement, according to which: (i) Snia abandoned the appeal proceedings and all claims against Mittel in relation to the events pertaining in the proceedings and consequently all claims brought against Mittel in first and second level proceedings, with Mittel accepting this abandonment of legal action; (ii) Mittel paid a contribution to Snia in regard to Snia's abandonment of the appeal; (iii) the parties declared that neither has further claim against the other as a result of the aforementioned settlement agreement and in relation to the proceedings mentioned. Thus, Mittel's case is going forward solely in relation to the Ministries.

Since, in the meantime, many of the original defendants and third party defendants settled the dispute in full or in part, with an order published on 20 March 2019, the Court decided to split the appeal into three separate cases, dividing the state of the proceedings of the various parties into the following three groups:

A) Those that have settled with both principal plaintiffs, and therefore mutually waived cross-complaints, for which a settlement judgement was issued at the same time for the relative legal proceedings (Judgement no. 1263/19 published on 22 March 2019 as the outcome of the case nos. 1068+1145/16);

B) Those, such as Mittel, that have settled only with SNIA and not with the Ministries, for which the case (with a new case no. 1028/19) was postponed to clarify the findings of the hearing held on 17 April 2019 at 11:00am;

C) All other parties (which have not yet settled with either SNIA or the Ministries): postponement of the case until the hearing of 6 November 2019 (new case no. 1030/19).

In relation to proceedings brought by the Environment Ministry and the Finance Ministry against the Extraordinary Administration for exclusion from the list of Snia creditors (case no. 70240/14, pending before the Second Chambers of the Court of Milan), in which on 11 May 2015 Mittel S.p.A. intervened, filing a statement of intervention pursuant to art. 105 of the Italian Code of Civil Procedure requesting confirmation of exclusion of the opposing Ministries, and in which Sorin S.p.A. (now Livanova Plc) also intervened by filing its own statement of intervention - the latter was concluded following the declaration of exclusion by the Company (together with other intervening parties) from the proceedings, due to "lack of standing" of the intervening party.

Having settled with the Proceedings, and not having any other credit obligations with Snia, nor any pending disputes with said company, Mittel decided not to challenge the exclusion measure. Therefore, the judgement is defined, with regard to the Company.

Administrative judgement against the compliance notice from the Environment Ministry

On 28 July 2015, the Environment Ministry delivered to Mittel S.p.A., as well as Sorin S.p.A., Bios S.p.A., Interbanca S.p.A. (then GE Capital S.p.A.), Monte dei Paschi di Siena S.p.A. and Unipol Gruppo Finanziario S.p.A. a compliance notice ("Compliance Notice"), ordering said companies to take all appropriate initiatives to control, eliminate, contain, or manage, in accordance with the Snia programme of reclamation works, any damaging elements at the sites in Torviscosa, Brescia, and Colleferro (Caffaro Group production sites).

Mittel challenged the compliance notice before the Regional Administrative Court of Lazio - Rome, noting a series of null and/or invalid profiles. As part of the aforementioned appeal, Mittel highlighted that the contamination, claimed by the Environment Ministry, of Caffaro Group's production sites is attributable to the chemical produced by the companies of said Group, prior to the period in which Mittel, through an indirect and minority investment, acquired an interest in the share capital of companies of the Caffaro Group (1999) or to production unrelated to the Caffaro Group.

On 21 March 2016, the Regional Administrative Court upheld Mittel's appeal, with decision no. 3449/2016, thereby nullifying the effects of the Compliance Notice. This decision was challenged by the Environment Ministry before the Council of State case no. 4949/2016), as well as the other decisions of the Regional Administrative Court of Lazio with which the aforementioned Compliance Notice had been nullified. In this proceeding, Mittel became a formal party by filing an incidental appeal and simultaneously, refiling the legal justification that had been accepted in first instance proceedings.

At the public hearing on 14 June 2018, the merits of the trial were discussed. With decision no. 5024/2018, the Council of State rejected the appeal brought by the Ministry against the judgement in favour of Mittel (decision no. 3449/2016 Regional Administrative Court of Lazio), upholding, in substance, the justifications and the exceptions raised by Mittel. For the same reasons, the additional appeals filed by the Ministry against the other companies to which the Compliance Notice had been served were rejected, thus no longer having any effect.

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Therefore, in conclusion, the current situation with regard to Snia disputes is as follows:

- the previous administrative dispute was definitively closed favourably;
- civil proceedings are currently pending on appeal solely regarding the Ministries (by contrast, position already settled vis-à-vis Snia) regarding the exclusion decision for the Public Administrations from the case for damages and the relative payment of expenses, a hearing that will be called on 17 April for presentation of closing remarks.

<u>So.Fi.Mar International S.A. and Alfio Marchini</u>

With regard to the known credit for EUR 12.8 million held by Mittel S.p.A. in relation to So.Fi.Mar International S.A. and Alfio Marchini by virtue of the purchase by So.Fi.Mar of bare ownership of the 222,315 shares of Finaster S.p.A. (today Finaster S.p.A. in liquidation), which took place in the year ended 30 September 2005, Mittel S.p.A. obtained the arbitration award on 15 March 2016, with which the Board of Arbitrators ordered So.Fi.Mar International S.A. to pay Mittel S.p.A. the entire amount due to the latter for a total amount of EUR 12,782,298 as principal, plus interest up to 31 July 2013 of approximately EUR 316

thousand and default interest from 31 July 2013 up to the actual date of payment. The Court of Arbitration also ordered So.Fi.Mar International S.A. to pay Mittel S.p.A. around EUR 128 thousand in its legal fees and approximately EUR 149 thousand as Milan Chamber of Arbitration costs and arbitrator fees incurred by Mittel S.p.A.. However, the Court of Arbitration declared that Alfio Marchini, the controlling entity of So.Fi.Mar International S.A. at the time of the events, did not have standing to be sued.
On 26 May 2016, following filing of the award by Mittel, the Court of Milan issued the enforcement order for the arbitration award.
In order to lay claim to the So.Fi.Mar International S.A. assets in Luxembourg, on 15 July 2016 Mittel S.p.A. obtained an exequatur order from the Luxembourg court. In accordance with this order, Mittel S.p.A. filed writs of attachment against So.Fi.Mar International SA with 13 of the largest Luxembourg and Italian banks in Luxembourg, attachments that were suspended by the Luxembourg judge on the grounds that in November 2016 So.Fi.Mar International SA and Mr. Marchini appealed the exequatur order that was part of the arbitration award. After the confirmation of the exequatur order from the arbitration award, the enforcement proceedings were resumed and are currently pending.
In addition, Mittel launched enforcement proceedings with third parties in Italy before the Courts of Rome and Milan.
The procedure before the Court of Rome was launched against So.Fi.Mar International S.A. by nine Italian companies and was declared settled in November 2017, in consideration of the negative statements of the third party garnishees.
With regard to the enforcement action before the Court of Milan, the third party garnishee, Finaster S.r.l. in liquidation, submitted a negative statement. Mittel challenged the veracity of this declaration and the Judge, with an order dated 8 February 2019, pronounced that the third-party obligation was present. Finaster S.r.l. opposed this measure. The hearing was set for 10 April 2019.
Mittel has also initiated an enforcement action in Switzerland against So.Fi.Mar International S.A. at the banks UBS AG and UBS Switzerland AG, which was not successful.
In September 2017, Mittel filed bankruptcy against So.Fi.Mar International S.A. before the Court of Rome (case no. 2562/2017). With decree dated 26 September 2018, the Court of Rome declared that it did not have jurisdiction. Mittel decided not to challenge this measure.
In March 2017, a writ of summons was served to Mr. Alfio Marchini in the interest of Mittel to ascertain his non-contractual liability and his sentence for damages (quantified at EUR 13,098,895.72, in addition to default interest since 31 July 2013, plus interest and monetary revaluation) incurred by Mittel as a result of the non-payment by Sofimar of the amount due to Mittel, awarded in arbitration. Mr. Marchini appeared in court, challenging Mittel's claims and requesting that Mittel be sentenced pursuant to art. 96 of the Italian Code of Civil Procedures. As a result of the preliminary proceedings, the Judge, determined that the case was ready for final judgement and set the hearing date on 1 October 2019 for the presentation of closing remarks.

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Therefore, the following three proceedings are currently pending to recover the receivable due to Mittel by So.Fi.Mar International S.A.:
1. proceeding before the Court of Milan as a challenge to the order of assignment of 8 February 2019;
2. enforcement proceedings against third parties in Luxembourg;
3. ordinary judgement against Alfio Marchini before the Court of Milan.
Mittel is assessing the possibility of taking additional actions to recover its receivable.

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

The second instance (case no. 1044/2017) between Mittel, as the defendant, and Banca IFIS S.p.A (formerly Interbanca S.p.A. and GE Capital S.p.A.) and Tellus S.r.l., as appellants, is pending before the Court of Appeals of Brescia, following the challenge by the appellant companies, of decision no. 3271/16 of the Court of Brescia on 8 November 2016.
The dispute is at the outset of the decision-making phase, since the court sitting in panel, following the first hearing of 20 December 2017, proceeded directly to set the hearing to clarify the arguments for 8 May 2019.
With regard to the question being disputed, note that, at the end of 2011, the current appellant companies had challenged the resolution passed by the Extraordinary Shareholders' Meeting of Hopa S.p.A. on 13 October 2011, approving the merger of Tethys S.p.A. and Hopa into Mittel S.p.A. Thus, after signing and

filling the merger deed, Interbanca S.p.A. and Tellus S.r.l. converted the original petitions to declare the resolution invalid into claims for damages, requesting (i) first and foremost, compensation for damages they estimated at EUR 10.2 million, plus legal interest and monetary revaluation, due to the alleged lack, for Hopa S.p.A., of “economic grounds” for the merger; (ii) alternatively, compensation for damages totalling EUR 9.7 million, plus legal interest and monetary revaluation, due to the alleged “inconsistency of the share exchange ratio” adopted at the time of the merger.
The Court of Brescia, after concluding a complex appraisal process that lasted three years, pronounced decision no. 3721/2016, rejecting the claims for compensation for damages brought by Interbanca S.p.A. and Tellus S.r.l due to their lack of standing regarding the request to nullify the merger resolution and, consequently, ordering the plaintiffs to pay legal fees for the defendant as well as the court-appointed expert costs. The dispute therefore concluded in the first instance proceedings fully in favour of Mittel.
In the appeal filed, Banca IFIS S.p.A. and Tellus S.r.l. - proposing again the same grounds of fact and law already presented at first instance - asked the Court of Appeals for the complete reformulation of the first instance ruling, reaffirming their alleged standing to challenge the merger resolution and the consequent admissibility of claims for damages.

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

The main risks and uncertainties that can have a significant impact on the activities of the Mittel Group are outlined below. Additional risks and uncertain events, that are unforeseeable at present or that are deemed unlikely at the moment, could likewise impact the Mittel Group’s activities, economic and financial conditions and prospects.

Risks associated with the current economic scenario and performance in the Group’s operating sectors

The Mittel Group’s results are affected by global economic trends, systemic risk, business sector risk, and industrial risk.
At the macroeconomic level, the general situation is still characterised by high volatility in financial markets and continued instability of the global geo-political situation.
Persistent excess liquidity can jeopardise the Group's investment strategy, by excessively raising the purchase prices of target industrial holdings. Meanwhile, a geo-political context that continues to be characterised by considerable turbulence can weaken both the organic growth process as well as growth through acquisitions in the existing investments portfolio.
Should a new negative economic cycle begin, the resulting slowdown in industrial development could lead to a general deterioration in the Group’s assets and/or, in the absence of adequate financial support, the need to dispose of those assets at less than optimal values. With specific reference to investments in corporate holdings - by their nature characterised by a high level of risk, especially in the current period of financial market volatility - the process of disinvestment could require longer than expected times and/or be carried out using methods that are not entirely satisfactory or under conditions that do not generate a return for the Group.

As regards the Nursing Home sector, in which Mittel Group invested during the previous year, there is a more limited cyclical impact and consequently less theoretical exposure to the risk of negative developments due to a persistently weak situation in the global economy and the Group’s geographic area of reference. The demand for social and healthcare services and related public and private expenditure, in fact, show historical growth trends and potential growth prospects even in a possible generalised economic crisis phase. However, it cannot be excluded that a continuation of the current weak macroeconomic scenario will have a negative impact on public and private spending and, consequently, on demand for the services offered by the Group in this sector.
Similar considerations regarding the cyclical nature of reference markets and the resulting exposure to the economic situation and performance of the Group’s sectors of operation, are valid for the recent investments in the areas of designer ceramics and automotive components. The Automotive sector entails the purchase of durable goods, highly correlated with trends in 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, contraction in credit, reduction in demand, falling prices, and the lengthening of sale and lease times, with the risk of incurring extraordinary costs for maintaining unsold properties. The property market, both domestically and internationally, has a cyclical trend and is linked - amongst other things - to the general state of the economy, to changes in interest rates, inflation trends, tax regimes, available liquidity on the market and the presence of alternative and more remunerative investments.

Risks associated with implementation of the strategy of the Group and its repositioning

In March 2016, the Mittel S.p.A. Board of Directors approved the 2016-2019 Strategic Plan, the guidelines for which mainly aim to (i) implement a streamlining process of the Mittel Group corporate structure; (ii) dispose of non-strategic assets (listed securities, real estate business and lending); (iii) develop investment activities with a view to permanent capital; and (v) make investments in asset management. Based on this strategy, Mittel S.p.A. aims to pursue a type of business that focuses on controlling investments in Italian small and medium enterprises characterised by high cash generation.

In this regard, recall that on 30 November 2018, a settlement agreement through which the company and Rosario Bifulco mutually agreed to terminate the employment relationship between the two parties in advance, with the resulting resignation of Rosario Bifulco, having immediate effect, from the role of Director, Chairman, and Chief Executive Officer of the Company, as well as all roles held in Group companies.
The resignation of Rosario Bifulco marked the conclusion of an initial phase of the Company’s reorganisation, which involved redefining the strategic vision of Mittel as a holding company of industrial investments. The newly established Executive Committee, an expression of the new corporate structure following the take-over bid promoted in the second half of 2018 by Progetto Co-Val S.p.A., and the Board of

Directors confirmed the intention to pursue activities in continuity with that which was envisioned in the Strategic Plan.

Among the potential risk profiles of the above strategy, note that this depends on events and circumstances, including in the future, that are difficult to predict, e.g. global economic conditions, the impact of competition, or developments of an economic and geo-political nature. Therefore, Mittel S.p.A. cannot with any degree of certainty confirm that the strategic goals will be actually and completely achieved within the expected timeframe.

Any failure to dispose of significant parts of the real estate assets could make it more difficult to access to new funding for future investments. Furthermore, the failure to carry out the planned investments could have negative effects on the economic-financial sustainability of the Group's debt.
If said actions to transform the Group’s operating model are not fully completed, thereby hindering the Group’s competitive repositioning, it could have negative impacts on the economic, equity and/or financial positions of the Group.
Lastly, considering the Company’s investment holdings, its economic performance is linked, *inter alia*, to circumstances that are not periodic and/or recurring in nature, such as the distribution of dividends by investees and the formation and realisation of capital gains on disposals of investments held. Thus, it cannot be excluded that the trend in results for Mittel S.p.A. in different years may not be linear and/or meaningfully comparable. Note also that the investees of Mittel S.p.A. could decide not to distribute dividends even if profit for the year is recorded.

Risks connected with the fixed-rate bond “Mittel S.p.A. 2013-2019” issued in July 2013 and the fixed-rate bond “Mittel S.p.A. 2017-2023”

Pursuant to the Regulations for the 2013-2019 Bond and the 2017-2023 Bond, Mittel S.p.A. is required to comply with the following conditions for the duration of the bond: (i) limits to dividend distribution and income-related reserves, (ii) a financial covenant calculated as the ratio of financial debt to equity in the separate financial statements, and (iii) a negative pledge on future bond issues by Mittel S.p.A. or by significant subsidiaries within the limits, notwithstanding the exceptions set out in the Regulations. In the event of breach that is not remedied, of said obligations set out in loan regulations, Mittel S.p.A. could be held to the mandatory early redemption of the Loans, which in turn, could result in the obligation of early repayment, or application of the acceleration clause, termination of or withdrawal from the other loans contracted. As at 31 December 2018, the covenants of both bonds had been satisfied.
Furthermore, the Regulations of the Mittel S.p.A. 2013-2019 Bond envisages that, for its entire duration, Mittel S.p.A. cannot distribute dividends or income-related reserves exceeding 5% of equity resulting from the financial statements of Mittel S.p.A. approved during each year throughout the duration of the bond (the 2013-2019 Cap), a limit that, as at 31 December 2017, was adjusted to 7.5% in relation to the voluntary early repayment of said bond on 18 August 2017. The Mittel 2017-2023 Bond Regulations envisage that Mittel S.p.A. cannot distribute dividends or income-related reserves exceeding 5% of equity resulting from the financial statements of Mittel S.p.A. approved during each year throughout the duration of the loan (the 2017-2023 Cap), while there is no limit envisaged for the distribution of treasury shares currently held by the Company.

Risks associated with the Group’s debt

Contractual clauses, commitments and covenants are applied to a number of the Group’s funding sources. Failure to comply with these may be considered a contract default, resulting in lenders requesting their immediate collection and causing problems in obtaining alternative financial resources. At 31 December 2018, in addition to the covenants on the Mittel 2013-2019 Bond and the Mittel 2017-2023 Bond, there are covenants on the medium/long-term loans taken out by the Group in order to invest in the share capital of Gruppo Zaffiro S.r.l., Ceramica Cielo S.p.A., and IMC S.p.A.

Risks related to interest rate fluctuations

The Mittel Group uses various forms of financing to support its investments. Therefore, significant changes in interest rates could potentially involve major increases/decreases in the cost of financing. To mitigate these risks, the Group issued a bond in 2017 with a fixed rate of 3.75%, expiring in July 2023, for a total of EUR 129.5 million. Gruppo Zaffiro S.r.l. and IMC S.p.A. subscribed an interest rate swap on the debt incurred at the time of the acquisition by Mittel S.p.A., again with the aim of mitigating risks of fluctuations in interest rates.

Liquidity risk

In July 2017, the Company issued the Mittel S.p.A. 2017-2023 bonds listed on the MOT market, organised and managed by Borsa Italiana S.p.A., for a total of EUR 129.5 million. Nonetheless, obtaining financial resources outside the Group represents a factor of criticality for maintaining the Group's investment growth strategy.
Consequently, any worsening in the economic terms and conditions of new loans and any future reduction in the banking system's credit capacity could have negative effects on the Group's economic and financial situation and/or limit its growth capacity.
The Group's ability to cover scheduled payments, including interest payments on the debt, depends on its capacity to generate sufficient liquidity, also through disposals and/or divestments, and/or by refinancing its debt. This process is influenced, to a certain extent, by the economic, financial and market situation, laws and regulations applicable at each time, competition with other operators and other factors, many of which are outside of the Mittel Group's control.
Therefore, also in consideration of the potential misalignment between the duration of the Group's invested assets, mainly medium and long term, and the maturities on the relative sources of funding, there is a risk that the Group may find it difficult to meet its payment commitments at the set due dates as a result of difficulties in liquidating assets on the market without penalties (asset liquidity risk) or in raising funds (funding liquidity risk), with a resulting negative impact on the economic result if the Group is forced to incur additional costs to meet its commitments.
Note that in July 2019 the Mittel S.p.A. 2013-2019 bonds (6.00% interest rate) will become due for a nominal amount of EUR 41.7 million.

Credit risk

Financial transactions realised by the Group expose it to credit risk, understood as the possibility that an unexpected change in the counterpart's creditworthiness could impact the credit position, resulting in insolvency (default risk) or in terms of the market value of the position (spread risk). In addition, recent industrial acquisitions have created credit risk of a commercial nature, increasing the potential risk of delays in payment timing.
The Mittel Group is exposed to potential losses resulting from the non-fulfilment of the obligations assumed by the counterparties (both financial and commercial transactions), with specific reference to the following phenomena:

- in relation to investment activities, maintenance of heavy involvement in the entrepreneurial risk of the investments disposed of, also in relation to the presence of the vendor loan for a significant amount;
- concentration of credit on certain significant counterparties;
- increase in the average collection times of trade receivables, in particular on newly acquired industrial investee companies, with a subsequent deterioration in the financial position with respect to the forecasts.

Risks connected with the market value of property inventories

Despite the fact that 2017 and 2018 were positive years in terms of sales, the importance of the Group's invested capital in real estate investments and the lack of vitality in the real estate inventory due to certain specific initiatives, with the consequent risks of obsolescence and losses, have led to continued risk associated with the Group's operations in the Real Estate sector. Moreover, the freezing of financial resources on real estate assets represents an element of inflexibility with respect to the need, defined in the 2016-2019 Strategic Plan, for management to concentrate financial resources particularly on investments in Private Equity transactions that enable the Group to recover profitability. The Group recognises its property inventories at cost, net of any write-downs based on the net realisable value; in support of these values, when drafting the financial statements as at 31 December of each year, the Group asks external professionals with the necessary skills and qualifications for an appraisal of the main property assets at market values based on the measurement criteria normally used in practice, then adjusting the values based on these analyses. Though in the Company's opinion the appraisals take into consideration all factors significant to assessing the fairness of the book value of property inventories, the assessment of additional non-recurring elements not known as at the appraisal dates, compared to those used, could result in the determination of different values.

In addition, despite Mittel S.p.A. arranging the write-down of property assets where appraisals for the main property assets indicated net realisable values lower than their book values, it cannot be excluded that any worsening in the reference market may involve the future need for further potential value adjustments, with the subsequent negative effects on the Group's statement of financial position and income statement.
As at the date of this report, note that no covenants were directly associated with changes in the value of property assets or with the economic or equity results of companies operating in the Real Estate sector.

Risks related to ongoing disputes

In the normal course of its business, the Group is a party in some civil, tax and administrative proceedings, whose progress is periodically monitored by the corporate bodies of the subsidiaries and Parent Company.
In its consolidated financial statements as at 31 December 2018, the Group allocated a specific provision for risks and charges totalling EUR 1.5 million (essentially in line with the value as at 31 December 2017), to cover, *inter alia*, the liabilities that could result from the legal proceedings and other pending disputes, taking into consideration estimates for fees to be paid for advisory services used by the Company as part of the proceedings, including for disputes whose risk of a negative outcome for the Company is low.
The total amount of this provision for risks and charges and the amount of annual allocations to the provision are determined based on the probability that the proceedings will have a negative outcome for the Group or that there are payments for legal fees, even in the event of a positive outcome. Certain proceedings which the Group is a party to and which are predicted to have a possible, remote or unquantifiable negative outcome are not included in the provision for legal risks and charges, in accordance with IAS 37. Therefore, it is not possible to rule out the possibility that in the future the Group may be required to fulfil payment obligations that are not covered by the provision for risks and charges, or that the allocations made to the provision for risks and charges may be insufficient to cover liabilities deriving from an outcome more negative than expected.
Moreover, in general, irrespective of the legitimate grounds of the claims made, any initiation of legal or arbitration proceedings against Mittel S.p.A. and/or other Group companies, including any disputes concerning the Group's past operations as a shareholder of transferred companies, could result in possibly significant damage to the Group's image and reputation in its sector, with possible negative effects on the business and economic, equity and financial situations of Mittel S.p.A. and the Group.

Risks associated with dependence on key management figures

The Group's success depends heavily on a limited number of key management figures who provide and, in the Issuer's opinion, could continue to provide a significant contribution to the Group's business development. The Company has adopted a remuneration policy set up in order to ensure a remuneration structure capable of recognising the value and contributions of its managers.

Specifically, in March 2016, a medium/long-term incentive system was approved by the Issuer's Shareholders' Meeting, which provides for the assignment of Stock Appreciation Rights in favour of key managers and other key figures. This assignment was also envisaged in favour of the former Chief Executive Officer, Rosario Bifulco.

Though the measures implemented aim to strengthen the involvement and retention of these officers, any loss of key figures or an inability to attract and retain additional qualified personnel could result in decreased competitive capacity of the Group and jeopardise the forecast growth targets, with negative effects on the business activities and the economic and financial situation of the Company and Group. Furthermore, if one or more of the aforementioned key figures terminate their employment with the Group and it was not possible to replace them in an appropriate and timely manner with individuals of equal experience and skills, the competitive positioning of the Company and the Group could be diminished, with possible negative effects on assets and the replicability over time of results achieved. These risks also exist for the key figures in the sectors of companies that were acquired during the year, who have expertise in operational areas that are crucial for achieving the Group's strategy objectives.

As previously discussed, on 30 November 2018, having concluded the first phase of the Company's reorganisation, the employment relationship with Rosario Bifulco (the Company's Chief Executive Officer until that date) was terminated, with the simultaneous appointment of an Executive Committee. In January 2019, the members of the Executive Committee, directly or through investees, made investments in the Company totalling EUR 3.3 million.

The purchase of share capital by Michele Iori (Chairman of the Company), Marco Giovanni Colacicco (Chairman of the Executive Committee), and Anna Francesca Cremascoli (member of the Executive

Committee who, as noted, made the investment as the owner of a 25% stake in the share capital of a holding company belonging to the Cremascoli family) has significant strategic value and strengthens the alignment of interests between the Company's management and its shareholders, representing an important commitment in carrying out the project, currently being implemented, to transform Mittel into a holding company of industrial investments.

Risks related to dividend policy

As at the reporting date, the Company had not adopted a dividend distribution policy. The Regulations of the "Mittel S.p.A. 2013-2019" fixed-rate bond and the "Mittel S.p.A. 2017-2023" fixed-rate bond require that, for the entire duration of the bond, the Company cannot distribute dividends or income-related reserves exceeding a certain percentage of equity resulting from the Company's separate financial statements approved during each year throughout the bonds' duration (see paragraph in this section).
Any future dividend distributions and their totals, in any event within the above limits, will also depend on future profit of the Company which, in particular, will be associated with dividends distributed by the investees and with capital gains achieved from the investment disposal transactions, circumstances which are naturally not periodic and/or recurring.

Risks associated with laws and regulations applying to the Group

The activities of the Mittel Group are subject to Italian and EU regulations and legislation, including tax regulations.
It cannot be excluded that future changes to existing regulations and legislation, including at interpretative level, may generate an increase in costs, expenses or levels of Group responsibility or adversely impact the Group's activities, with potential prejudicial effects on the activities and/or 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 on equity investments and real estate assets could have negative effects, respectively, on the returns of the Group's investments or on the Group's business activities performed in relation to these assets.
Finally, note that the Nursing Home operating segment, which was acquired in the previous year, is a highly regulated sector. Therefore, any changes to the current regulations, 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 operations, having detrimental effects on the business activities and/or the economic and financial situation of the Group.

Risks associated with recent extraordinary transactions

The acquisition last year of Gruppo Zaffiro S.r.l., Ceramica Cielo S.p.A., and IMC S.p.A. led to the recognition of substantial goodwill, resulting from the business combination to acquire control and the subsequent consolidation of the acquired companies. In the context of these acquisitions, the selling parties issued declarations and guarantees to the buyer that are normally expected in this type of transaction. Should these guarantees need to be enforced, there would be a legal-contractual risk, in addition to a possible credit risk connected with the effective ability to collect the amounts covered by the guarantee.
Furthermore, an acquisition generally involves the assumption not only of the assets of a company, but also the related liabilities. Though the Mittel Group carries out due diligence before completing an acquisition and seeks suitable declarations and guarantees, as well as indemnity obligations from the seller, there is no certainty that the Group can identify and obtain adequate protection with respect to all the current and potential liabilities relating to a given business. The acceptance of unexpected liabilities for which no suitable contractual protection has been obtained or the seller providing the contractual protection becomes insolvent could give rise to negative effects on the business activities and profitability of the Company and Group.
Mittel Group's entry into a new business sector also involves the exposure to risks typical of that operating sector.
Lastly, note that the acquisitions carried out require, by their nature, the performance of activities that are typical for integrating companies into a group that already exists. Therefore, it cannot be excluded that the implementation of this integration process will involve costs, especially in the initial stages, incurred by the Company or Group, or that the complete and effective integration of the companies might require longer than expected or achievement of the forecast results fails or proves more complex than expected.

Corporate Governance

Corporate Governance

Mittel S.p.A. signed up to the original 1999 version of the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A., and currently adheres to the Corporate Governance Code approved in July 2018.

The Company shall annually provide disclosure concerning its governance system and its acceptance of the Corporate Governance Code, through a Report, also drawn up pursuant to article 123-*bis* of the Consolidated Law on Finance, which shall illustrate the degree of compliance with the principles and criteria applied thereto, established by the Code and by international best practice.

The Report is provided to Shareholders annually with the documentation envisaged for the Shareholders' Meeting to approve the financial statements, and is also promptly published on the Company's website (www.mittel.it) in the "Corporate Governance/Corporate Documents" section.

At the meeting on 22 February 2016, on the proposal of the Remuneration and Appointments Committee, the Board of Directors approved the Remuneration Policy, in compliance with the recommendations of the Corporate Governance Code and regulatory provisions issued by Consob. Pursuant to law, the Remuneration Policy constitutes the first section of the Remuneration Report and is subject to review by the Shareholders' Meeting each year; specifically, during the Shareholders' Meeting of 27 January 2017, called, *inter alia*, to approve the 2016 separate financial statements, the shareholders approved the first section of the Report.

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

Michele Iori	Standing Auditor of Dolomiti Energia S.p.A. Standing Auditor of The Spac S.p.A.
Marco Colacicco	Standing Auditor of Praesidium SGR S.p.A.
Anna Francesca Cremascoli	---
Valentina Dragoni	---
Patrizia Galvagni	---
Riccardo Perotta	Chairman of the Board of Statutory Auditors of Cassa Lombardia 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 Boing S.p.A.
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 Value Transformation Services S.p.A.

Maria Teresa Bernelli	Chairman of the Board of Statutory Auditors of Dana Italia S.p.A. Chairman of the Board of Statutory Auditors of 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. Standing Auditor of Dana Motion Sistems Italia S.r.l. Standing Auditor of Bisol Desiderio & Figli S.r.l. Member of the Supervisory Board of Man Truck & Bus Italia S.p.A. Member of the Board of Directors of Autostrada Campogalliano Sassuolo S.p.A. Member of the Board of Directors of Fondo Ventidue – Fondo pensione dipendenti Autobrennero Member of the Board of Directors of ITAS Mutua
Giulio Tedeschi	Chairman of the Board of Statutory Auditors of Agos Ducato S.p.A. Chairman of the Board of Statutory Auditors of Cantina di La-Vis e Valle di Cembra S.c.a. Chairman of the Board of Statutory Auditors of Exergy S.p.A. Chairman of the Board of Statutory Auditors of Istituto di Ricerche Farmacologiche Mario Negri Standing Auditor of Carlo Tassara S.p.A. Standing Auditor of Tekfor S.p.A. Director Pa.Ma.Flo. S.r.l.

Other Information

Other information

Research and development activities

Given the nature of the Group companies, no specific research and development activities are carried out, with the exception of those performed by the subsidiary Ceramica Cielo S.p.A., which during 2018 supported two distinct research programmes, with a total cost of EUR 635 thousand, recognised in the income statement.

Atypical and/or unusual transactions

Pursuant to Consob communication of 28 July 2006, it should be noted that the Company and the Group did not carry out atypical and/or unusual transactions during the year which were not communicated to the market in accordance with the Issuers' Regulation.

Significant non-recurring events and transactions

Pursuant to the aforementioned Consob communication, no significant non-recurring transactions were performed by the Company or the Group during the year.

Consolidated Non-Financial Statement

Note that, in consideration of the change in the accounting closing date from 30 September to 31 December of each year, as resolved by the Extraordinary Shareholders' Meeting of 18 November 2016, the previous year ended 31 December 2017 had a duration of 15 months (1 October 2016 – 31 December 2017).

Article 4 of Directive 2014/95/EU, concerning consolidated non-financial disclosure, envisages that the Member States must ensure that the provisions apply to all businesses falling under the scope of Article 1 starting from the year beginning 1 January 2017 or during 2017. Accordingly, Article 12 of Italian Decree Law 254/2016 envisages that the provisions of the decree apply, with reference to the statements and related reports, to financial years beginning on or after 1 January 2017.

Therefore, Mittel Group drafted the consolidated non-financial statement required by the aforementioned legislation starting from this financial year ended 31 December 2018, since the previous financial year 2016/2017 began before the date indicated in the legislation. Thus, please refer to the relative document, which contains an analysis of non-financial performance (e.g., environmental, social, staff-related, etc.) of the entire scope of consolidation of the Group, taking into due consideration the change in this scope as a result of recent acquisitions, implemented in accordance with the strategic objectives being pursued.

Information on the environmental impact

Given the nature of the Group companies, no specific activities with an impact on the environment are carried out. During the last year, two industrial acquisitions were carried out, in the sectors of ceramic production for designer sanitary-ware and components for the automotive industry. No significant environmental issues were reported for these companies, which became part of the Group's scope of consolidation during the previous year.

Human resources

Personnel are suited to meeting the needs of companies belonging to the sectors in which the Group operates. Training activities were focused on updating staff on the changes in the legislation and regulations that apply to the Group and on training courses regarding IT tools for supporting the organisation of work.

Transactions with related parties of the Group

The Group has adopted special regulations on transactions with related parties, available at *http://www.mittel.it/en/procedures/.*

In terms of transactions with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, during 2018, transactions were entered into with said counterparties as part of ordinary Group operations and that no atypical and unusual transactions were carried out. All transactions were performed on an arm's length basis and generally refer to:

- the supply of general and administrative services between the Group companies;
- intercompany loan relationships and surety obligations;
- the intercompany transfer of IRES (corporate income tax)/VAT receivables;
- the issuing of guarantees from Group companies to investees.

On 27 June 2018, the Board of Directors of Mittel S.p.A. resolved to grant a mandate to the Chief Executive Officer to undertake all actions necessary to: i) renew the option allowing the Company to participate in Group taxation, pursuant to articles 117 *et seq*. of Italian Presidential Decree no. 917/86 for the years 2018 - 2020, as well as the subsidiaries (direct or indirect) Earchimede S.p.A., Fd33 S.r.l., Fashion District Group S.r.l. in liquidation, Parco Mediterraneo S.r.l., Ethica & Mittel Debt Advisory S.r.l., Breme S.r.l., Gamma Tre S.r.l., Lucianita S.r.l., Miva S.r.l., Regina S.r.l., and Santarosa S.r.l.; (ii) exercise the option for participation in the Company's tax consolidation, pursuant to the regulation indicated in the previous point, of the following direct or indirect subsidiaries: Mittel Design S.r.l., Ceramica Cielo S.p.A., Balder S.r.l., IMC S.p.A, Zaffiro Sanremo S.r.l., Zaffiro Costruzioni S.r.l., Locaeffe S.r.l. in liquidation, and Markfactor S.r.l. in liquidation; (iii) sign the contract for renewal or participation with the aforementioned subsidiaries, including through the option of delegating to third parties, with the right to make any changes to the version currently in use in Mittel Group that may be necessary (e.g., for any regulatory or interpretative changes); (iv) inform the Financial Administration that the option has been exercised in accordance with the law.

Transactions with related parties other than Group companies

Other transactions with related parties other than Group companies refer to:
- salaries and other fees due to directors and key Group managers;
- billing of administrative and consultancy services, falling under ordinary operations to individuals and companies falling within the wider definition of related parties;

Furthermore, note that during November 2018, Mittel Generale Investimenti S.r.l. asked Mittel S.p.A. to extend the repayment of the vendor loan from 31 December 2018 to 31 December 2019. The requested extension was justified by the fact that the credit positions held by Mittel Generale Investimenti S.r.l. require an appropriate time period to identify the most suitable action, of an ordinary or extraordinary nature, to enhance the value of the receivables in order to safeguard the capital of the company and shareholders. Mittel S.p.A. qualified the transaction as a transaction with related parties, as the company is an associate in which Mittel S.p.A. holds a 27% interest. Furthermore, Fondazione Cassa di Risparmio di Trento e Rovereto is also a related party, directly holding 36.5% of the share capital of Mittel Generale Investimenti S.r.l., in addition to an indirect shareholding through Progetto Co-Val S.p.A., of 24.579% of the share capital of Mittel S.p.A. On 19 December 2018, the Board of Directors of Mittel S.p.A., following the request from Mittel Generale Investimenti S.r.l. to extend the due date, approved the extension until the final term of 31 December 2019, maintaining the same interest rate, equal to the Euribor plus a 4.75% spread.

All transactions with related parties were conducted on an arm's length basis and, therefore, there are no atypical and unusual transactions to report.

Treasury shares

The Company holds 6,559,649 treasury shares as at 31 December 2018 (equal to 7.46% of the share capital), as a result of the free allocation of treasury shares during the year. For more information on the allocation, please refer to the relevant paragraph under "Significant events in the year".

Share-based payment arrangements

As at 31 December 2018, there is only the option for share-based payment in the form of treasury shares due to Mittel S.p.A. against the issue of the "Mittel 2016 Stock Appreciation Rights Plan ("SARs Plan")" approved by the Parent Company Shareholders' Meeting of 24 March 2016.

As part of the medium/long-term incentive plans and after the termination of the employment relationship with the Chief Executive Officer, which took place in November 2018, what resulted, inter alia, with his removal from the SARs Plan, at this time the plan in place for management is structured as a share-based payment arrangement.

Recall that on 22 February 2016, the Board of Directors approved the medium/long-term incentive plan reserved for the Chief Executive Officer and other managerial staff based on the assignment of a variable share-based compensation (Stock Appreciation Rights or SARs) at the end of the multi-year reference period and against the achievement of objectives. The objectives are predefined, linked to parameters verifiable *ex-post* and scalable in that they are assigned according to the office or role covered within the Group and as a function of the expected results.
These financial instruments offer beneficiaries the right, subject to the predefined conditions being met and at the end of the last year of the vesting period, to obtain the cash equivalent of the increased value of the company's ordinary shares compared to the value on assignment or, at the discretion of the Board of Directors, that value increase in the form of Company shares.
The long-term variable component (payable in cash or in Mittel S.p.A. shares at the discretion of the Board of Directors) will be equal to the difference between the ordinary share's closing price (calculated on the arithmetic average of the share's closing price in the thirty trading days prior to the exercise date) and the strike price (calculated on the arithmetic average of the share's closing price in the thirty trading days prior to assignment of the financial instruments). A number of instruments assigned to each beneficiary is determined, based on financial models that calculate the starting price of the share and provide an estimate of its present value.
The long-term incentive plan has a 5-year duration, of which 4 years as vesting period (expiry 31 December 2019) and one year for exercise of the assigned instruments (1 January 2020 - 31 December 2020).
All the economic and asset-related effects of the medium/long-term incentive plan relating to the assigned SARs will be accounted for during the vesting period on the basis of a value determined by the financial models used to estimate the respective present value based on the most likely objective achievement results.

Security Policy Document

The Directors acknowledge that the Company implemented all the necessary adjustment measures and actions in relation to the protection of personal data in accordance with the legal terms and methods with reference to changes that occurred within the Group and taking into consideration that EU Regulation no. 2016/679 (General Data Protection Regulation or GDPR) came into force.

Interests of members of administration and control bodies, general managers and key managers

First and Last Name	Investee	Shares owned as at 31.12.2017	Shares purchased	Shares sold	Shares owned as at 31.12.2018	
Rosario Bifulco (a)	Mittel S.p.A.	6,254,941	481,148	6,736,089	-	(b) (c)
Colacicco Marco	Mittel S.p.A.	68,777	5,291	-	74,068	(b)

(a) Chairman of the Board of Directors and Chief Executive Officer until 30 November 2018
(b) Increase through assignment of treasury shares in execution of Shareholders' Meeting resolution of 26 April 2018.
(c) Transfer of the entire block of shares to the take-over bid promoted by Progetto Co-Val S.p.A.

Proposal of the Board of Directors

Dear Shareholders,

We submit for your approval the separate financial statements for the year 1 January 2018 - 31 December 2018, comprised of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and the Explanatory Notes, as well as the annexes and Report on Operations.

The Board of Directors proposes to the Shareholders' Meeting to allocate the profit for the year of EUR 43,323,501 to the legal reserve for EUR 820,941 and to carry forward the residual amount of EUR 42,502,560.

Milan, 29 March 2019

for the Board of Directors

The Chairman

(Michele Iori)

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

The reconciliation between equity and profit (loss) for the year of the Parent Company, as shown in the separate financial statements for the year ended as at 31 December 2018, and the equity and profit (loss) for the year of the Group, as reported in the consolidated financial statements as at the same date, is as follows:

Amounts in thousands of Euro	**31 December 2018**		**31 December 2017**	
	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
Equity and profit (loss) of the Parent Company	**205,259**	**43,324**	**167,321**	**(4.592)**
Elimination of book value of consolidated investments:				
Value of investments in consolidated companies	(103.322)		(106.262)	
Goodwill arising on consolidation	67,585		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	51,460		46,019	
Results achieved by fully consolidated companies		(43.368)		(8.094)
Cancellation of write-downs of investments		6,536		48,808
Adjustments for consistency with Group accounting policies:				
Fair value adjustments of financial assets				
Investments measured using the equity method:				
Adjustments for *pro-rata* results of investments measured using the equity method	171		49,239	
Profit (loss) from Investments measured using the equity method		(668)		28,731
Elimination of effects of transactions carried out between consolidated companies:				
Net intercompany income capitalised in consolidated companies				
Elimination of intragroup dividends:				
Dividends distributed by fully consolidated companies		(4.500)		(48.002)
Dividends distributed by associates				
Taxes:				
Adjustment of tax rates				
Other adjustments				
Equity and profit (loss) for the period pertaining to the Group	**221,153**	**1.324**	**223,915**	**16.851**
Non-controlling interests	28,128	984	23,218	(1.684)
Consolidated equity and profit (loss)	**249,281**	**2.308**	**247,133**	**15.167**

Consolidated Financial Statements as at 31 December 2018

Consolidated Statement of Financial Position (*)

Amounts in Euro

	Notes	31.12.2018	01.01.2018(**)	31.12.2017
Non-current assets				
Intangible assets	4	73,369,200	68,861,919	68,861,919
Property, plant and equipment	5	46,888,546	43,914,880	43,914,880
Investments accounted for using the equity method	6	6,120,783	55,939,009	55,939,009
Financial receivables	7	45,800,456	77,395,181	81,775,748
Other financial assets	8	17,864,891	25,278,533	25,278,533
Sundry receivables and other assets	9	901,030	635,379	635,379
Deferred tax assets	10	4,586,084	423,453	423,453
Total non-current assets		**195,530,990**	**272,448,354**	**276,828,921**
Current assets				
Inventories	11	78,256,888	90,677,964	90,677,964
Financial receivables	12	-	396,248	396,248
Current tax assets	13	5,413,498	9,450,674	9,450,674
Sundry receivables and other assets	14	23,202,574	22,957,251	22,957,251
Cash and cash equivalents	15	223,822,291	155,470,983	155,470,983
Total current assets		**330,695,251**	**278,953,120**	**278,953,120**
Assets held for sale	16	18,955,825	-	-
Total assets		**545,182,066**	**551,401,474**	**555,782,041**
Equity				
Share capital		87,907,017	87,907,017	87,907,017
Share premium		53,716,218	53,716,218	53,716,218
Treasury shares		(11.178.114)	(21.057.903)	(21.057.903)
Reserves		89,384,199	82,118,766	86,499,333
Profit (loss) for the year		1.323.622	16,850,831	16,850,831
Equity pertaining to the Group	17	**221,152,942**	**219,534,929**	**223,915,496**
Non-controlling interests	18	28,128,346	23,218,399	23,218,399
Total Equity		**249,281,288**	**242,753,328**	**247,133,895**
Non-current liabilities				
Bonds	19	129,255,667	173,023,311	173,023,311
Financial payables	20	55,161,752	50,941,791	50,941,791
Other financial liabilities	21	210,248	7,550,196	7,550,196
Provisions for personnel	22	5,327,979	4,787,415	4,787,415
Deferred tax liabilities	23	7,041,128	10,222,164	10,222,164
Provisions for risks and charges	24	1.505.662	2,281,769	2,281,769
Sundry payables and other liabilities	25	154,958	140,756	140,756
Total non-current liabilities		**198,657,394**	**248,947,402**	**248,947,402**
Current liabilities				
Bonds	26	44,844,360	3,072,363	3,072,363
Financial payables	27	10,668,980	22,413,908	22,413,908
Other financial liabilities	28	13,200,000	-	-
Current tax liabilities	29	137,443	1.626.222	1.626.222
Sundry payables and other liabilities	30	27,850,505	32,588,251	32,588,251
Total current liabilities		**96,701,288**	**59,700,744**	**59,700,744**
Liabilities held for sale	31	542,096	-	-
Total equity and liabilities		**545,182,066**	**551,401,474**	**555,782,041**

(*) 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.

(**) Data at 1 January 2018 adjusted for the effects of the first-time adoption of IFRS 9

Consolidated Income Statement (*)

Amounts in Euro

		31.12.2018	31.12.2017
Revenue	32	113,924,506	70,633,874
Other income	33	3,727,002	1.849.645
Changes in inventories	34	(12.751.615)	(18.828.207)
Costs for purchases	35	(33.731.717)	(13.566.990)
Costs for services	36	(29.025.808)	(24.626.487)
Personnel costs	37	(30.661.834)	(24.490.556)
Other costs	38	(2.557.783)	(4.602.026)
Amortisation and value adjustments to intangible assets	39	(5.726.383)	(2.597.470)
Allocations to the provision for risks	40	(224.004)	(705.019)
Share of income (loss) of investments accounted for using the equity method	41	(667.756)	42,295,434
Operating result (EBIT)		**2,304,608**	**25,362,198**
Financial income	42	4,143,369	6,424,712
Financial expenses	43	(16.288.119)	(16.739.998)
Dividends	44	214,578	151,701
Profit (loss) from management of financial assets and investments	45	8,788,698	9,746,830
Value adjustments to financial assets and receivables	46	(4.700.763)	(12.539.094)
Profit (loss) from trading of financial assets	47	-	353,809
Profit (loss) before taxes		**(5.537.629)**	**12,760,158**
Income taxes	48	7,845,929	2,407,120
Profit (loss) for the year		**2,308,300**	**15,167,278**
Attributable to:			
Profit (loss) pertaining to non-controlling interests	49	984,678	(1.683.553)
Profit (loss) pertaining to the Group		**1.323.622**	**16,850,831**

Profit (loss) per share (in Euro)	50		
From ordinary, ongoing activities:			
- Basic		0,017	0,223
- Diluted		0,017	0,222

(*) 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 pages below 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

	Notes	01.01.2018 31.12.2018	01.01.2017 31.12.2017
Profit/(loss) for the year (A)		**2,308,300**	**15,167,278**
Other comprehensive profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		48,213	(59.392)
Tax effect relating to other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period		(20.351)	13,553
Total other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period, net of taxes (B.1)		**27,862**	**(45.839)**
Other comprehensive profits/(losses) which are subsequently reclassified to profit/(loss) for the period:			
Effective part of the profits/(losses) on cash flow hedges	17	(119.299)	(78.483)
Profits/(losses) from the redetermination of available-for-sale financial assets	17	(3.253.693)	16,471
Profits/(losses) from the transfer of available-for-sale financial assets	17		(2.266.043)
Release to the income statement of losses for fair value impairment on available-for-sale financial assets	17		
Share of profits/(losses) of companies measured using the equity method	17		(43.266.362)
Tax effect relating to other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period		14,918	183,635
Total other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period, net of taxes (B.2)		**(3.358.074)**	**(45.410.782)**
Total other profits/(losses), net of taxes (B)=(B.1)+(B.2)		**(3.330.212)**	**(45.456.621)**
Total comprehensive profit/(loss) (A) + (B)		**(1.021.912)**	**(30.289.343)**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interests		752,942	(1.664.087)
Profit (loss) pertaining to the Group		(1.774.854)	(28.625.256)

Statement of changes in consolidated equity for the year ended as at 31 December 2018

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 measured using the equity method	Non-controlling interests	Total
Balance as at 1 October 2016	**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	-	-	-	-	-	-	-	-	-	**-**
Purchase of treasury shares to exercise withdrawal rights	-	-	-	-	-	-	-	-	-	**-**
Changes in the consolidation scope	-	-	-	246,574	(239.982)	(6.592)	-	-	1.402.313	**1.402.313**
Employee SARs reserve	-	-	-	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 31 December 2017	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**
Effects of the first-time adoption of IFRS 9	**-**	**-**	**-**	**(1.359.882)**	**-**	**-**	**(3.020.685)**	**-**	**-**	**(4.380.567)**
Balance as at 1 January 2018	**87,907,017**	**(21.057.903)**	**53,716,218**	**99,431,654**	**(396.465)**	**(65.592)**	**-**	**-**	**23,218,399**	**242,753,328**
Sale of treasury shares	-	-	-	-	-	-	-	-	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	**-**
Changes in the consolidation scope	-	-	-	338,976	-	-	-	-	(418.976)	**(80.000)**
SARs reserve	-	-	-	(88.300)	-	-	-	-	-	**(88.300)**
Other changes	-	-	-	121,504	-	-	-	-	4,575,981	**4,697,485**
Capital payments	-	-	-	-	-	-	-	-	-	**-**
Dividends distributed	-	9,879,789	-	(9.879.789)	-	-	-	-	-	**-**
Total comprehensive profit/(loss)	-	-	-	1.323.622	11,803	(89.592)	-	-	752,942	**1.998.775**
Balance as at 31 December 2018	**87,907,017**	**(11.178.114)**	**53,716,218**	**91,247,667**	**(384.662)**	**(155.184)**	**-**	**-**	**28,128,346**	**249,281,288**

Consolidated Cash Flow Statement

Amounts in Euro	Notes	31.12.2018	31.12.2017
OPERATING ACTIVITIES			
Net profit (loss) for the year pertaining to the Parent Company and non-controlling interests		**2,308,300**	**15,167,278**
Adjustments to reconcile net profit (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		892,885	2,212,288
Deferred taxes		(8.738.814)	(4.619.408)
Depreciation of property, plant and equipment		5,267,525	1.928.443
Amortisation of intangible assets and write-downs		458,858	669,027
Dividends received		(214.578)	(151.701)
Financial income		(4.133.266)	(6.424.712)
Financial expenses		16,261,977	16,732,399
Gains/(losses) on exchange		16,039	7,599
Allocations to provisions for risks and charges		224,004	705,019
Provisions for employee severance indemnity		1.514.123	279,296
Expenses for incentive plan with settlement option through equity instruments		111,700	366,771
Other net non-operating/monetary income/(expenses)		383,104	1.539.000
Profits/(losses) of investments measured using the equity method		667,756	(42.286.623)
Write-downs (reversals of impairment losses) on receivables		3,652,428	9,851,209
(Gains)/losses on receivables		(144.880)	50,936
Capital (gains)/losses from transfer of investments and financial assets		(8.523.109)	(9.041.707)
Write-downs on inventories		2,501,892	7,856,786
Write-downs (reversals of impairment losses) on financial assets		1.048.335	2,687,557
(Gains)/losses from trading of financial assets		-	(353.809)
Cash flows from operating activities before changes in working capital		**13,554,279**	**(2.824.352)**
(Increase)/decrease in inventories		9,954,946	10,929,971
(Increase)/decrease in other current assets		133,648	4,155,109
Increase/(decrease) in trade payables and other current liabilities		(46.600)	5,253,788
Cash and cash equivalents generated (absorbed) by operating activities		**23,596,273**	**17.514.516**
Usage of provisions for risks and charges		(1.000.111)	324.610
Payments of employee severance indemnity		(1.188.665)	(703.056)
Change in tax payables/receivables		1.717.016	(972.986)
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**23.124.513**	**16.163.084**
INVESTING ACTIVITIES			
Dividends received on financial assets		214.578	151.701
Investments in:			
Investments		(80.000)	-
Other financial assets		-	(300.361)
Other non-current assets (property, plant and equipment, intangible assets and other)		(8.134.567)	(9.293.472)
Cash flow connected to business combinations:			
Zaffiro Sanremo business unit	3	(699.941)	-
Villa Gisella S.r.l.	3	(12.951.067)	-
IMC S.p.A.		-	(46.330.000)
Ceramica Cielo S.p.A.		-	(11.825.000)
Gruppo Zaffiro S.r.l.		-	(21.871.392)
Realisation from disposal of:			
Investments		54.479.870	34.707.130
Other financial assets		6.365.307	18.178.137
Financial instruments held for trading		-	2.618.060
Net cash flow connected to assets held for sale		(663.729)	-
(Increase) decrease in financial receivables		29.965.450	43.927.745
Interest collected		2.999.878	4.883.490
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES		**71.495.779**	**14.846.038**
FINANCING ACTIVITIES			
Increase (decrease) in payables due to banks and other lenders		(13.892.165)	(24.355.604)
Issue (redemption) of bonds		(2.689.973)	74.430.158
Interest paid		(9.686.846)	(14.276.203)
Payment of dividends to non-controlling interest		-	(4.701.048)
Capital payments by non-controlling shareholders		-	8.375.000
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**(26.268.984)**	**39.472.303**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**68.351.308**	**70.481.425**
OPENING CASH AND CASH EQUIVALENTS (E)		155.470.983	84.989.558
CLOSING CASH AND CASH EQUIVALENTS (F= D+ E)		**223.822.291**	**155.470.983**

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

Amounts in Euro

	Notes	31.12.2018	*of which related parties*	*% incidence*	31.12.2017	*of which related parties*	*% incidence*
Non-current assets							
Intangible assets	4	73.369.200	-		68.861.919	-	
Property, plant and equipment	5	46.888.546	-		43.914.880	-	
Investments accounted for using the equity method	6	6.120.783	-		55.939.009	-	
Financial receivables	7	45.800.456	17.226.538	37,6%	81.775.748	44.957.404	55,0%
Other financial assets	8	17.864.891	-		25.278.533	-	
Sundry receivables and other assets	9	901.030	-		635.379	-	
Deferred tax assets	10	4.586.084	-		423.453	-	
		195.530.990	**17.226.538**	**8,8%**	**276.828.921**	**44.957.404**	**16,2%**
Current assets							
Inventories	11	78.256.888	-		90.677.964	-	
Financial receivables	12	-	-		396.248	-	
Other financial assets		-	-		-	-	
Current tax assets	13	5.413.498	-		9.450.674	-	
Sundry receivables and other assets	14	23.202.574	36.258	0,2%	22.957.251	24.973	0,1%
Cash and cash equivalents	15	223.822.291	-		155.470.983	-	
Total current assets		**330.695.251**	**36.258**	**0,0%**	**278.953.120**	**24.973**	**0,0%**
Assets held for sale	16	18.955.825	-		-	-	
Total assets		**545.182.066**	**17.262.796**	**3,2%**	**555.782.041**	**44.982.377**	**8,1%**
Equity							
Share capital		87.907.017	-		87.907.017	-	
Share premium		53.716.218	-		53.716.218	-	
Treasury shares		(11.178.114)	-		(21.057.903)	-	
Reserves		89.384.199	-		86.499.333	-	
Profit (loss) for the year		1.323.622	-		16.850.831	-	
Equity pertaining to the Group	17	**221.152.942**	**-**		**223.915.496**	**-**	
Non-controlling interests	18	28.128.346	-		23.218.399	-	
Total Equity		**249.281.288**	**-**		**247.133.895**	**-**	
Non-current liabilities							
Bonds	19	129.255.667	-		173.023.311	-	
Financial payables	20	55.161.752	-		50.941.791	-	
Other financial liabilities	21	210.248	-		7.550.196	-	
Provisions for personnel	22	5.327.979	-		4.787.415	-	
Deferred tax liabilities	23	7.041.128	-		10.222.164	-	
Provisions for risks and charges	24	1.505.662	-		2.281.769	-	
Sundry payables and other liabilities	25	154.958	-		140.756	-	
Total non-current liabilities		**198.657.394**	**-**	**0,0%**	**248.947.402**	**-**	**0,0%**
Current liabilities		-					
Bonds	26	44.844.360	-		3.072.363	-	
Financial payables	27	10.668.980			22.413.908	-	
Other financial liabilities	28	13.200.000	-		-	-	
Current tax liabilities	29	137.443	-		1.626.222	-	
Sundry payables and other liabilities	30	27.850.505	377.148	1,4%	32.588.251	1.262.872	3,9%
Total current liabilities		**96.701.288**	**377.148**	**0,4%**	**59.700.744**	**1.262.872**	**2,1%**
Liabilities held for sale	31	542.096			-		
Total equity and liabilities		**545.182.066**	**377.148**	**0,1%**	**555.782.041**	**1.262.872**	**0,2%**

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

Amounts in Euro

	Notes	31.12.2018	*of which related parties*	*% incidence*	31.12.2017	*of which related parties*	*% incidence*
Revenue	32	113.924.506	67.005	0,1%	70.633.874	178.941	0,3%
Other income	33	3.727.002	15.000	0,4%	1.849.645	46.105	2,5%
Changes in inventories	34	(12.751.615)			(18.828.207)		
Costs for purchases	35	(33.731.717)			(13.566.990)		
Costs for services	36	(29.025.808)	(2.444.533)	8,4%	(24.626.487)	(8.000.444)	32,5%
Personnel costs	37	(30.661.834)	(982.507)	3,2%	(24.490.556)	(440.447)	1,8%
Other costs	38	(2.557.783)			(4.602.026)		
Amortisation and value adjustments to intangible assets	39	(5.726.383)			(2.597.470)		
Allocations to the provision for risks	40	(224.004)			(705.019)		
Share of income (loss) of investments accounted for using the equity method	41	(667.756)			42.295.434		
Operating result (EBIT)		**2.304.608**			**25.362.198**		
Financial income	42	4.143.369	1.962.880	47,4%	6.424.712	3.275.703	51,0%
Financial expenses	43	(16.288.119)			(16.739.998)	(1.644)	0,0%
Dividends	44	214.578			151.701		
Profit (loss) from management of financial assets and investments	45	8.788.698			9.746.830		
Value adjustments to financial assets and receivables	46	(4.700.763)			(12.539.094)		
Profit (loss) from trading of financial assets	47	-			353.809		
Profit (loss) before taxes		**(5.537.629)**			**12.760.158**		
Income taxes	48	7.845.929			2.407.120		
Profit (loss) for the year		**2.308.300**			**15.167.278**		
Attributable to:							
Profit (loss) pertaining to non-controlling interests	49	984.678			(1.683.553)		
Profit (loss) pertaining to the Group		**1.323.622**			**16.850.831**		

Explanatory Notes

1. Form and content of the financial statements

The consolidated financial statements are composed of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, accompanied by the explanatory notes. The income statement was drafted in line with the minimum contents of IAS 1 - Presentation of Financial Statements - with classification of costs by nature; the Statement of Financial Position was prepared according to the layout which highlights the breakdown of 'current/non-current' assets and liabilities. The cash flow statement was drafted using the indirect method.

2. Significant accounting standards and basis of preparation

2.1 General principles

The consolidated financial statements for the year ended 31 December 2018 were drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union as at 31 December 2017, and the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. IFRS also mean all revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements were prepared on the basis of the general historical cost principle, amended as required for the valuation of certain financial instruments. The Directors established that, despite the presence of a difficult economic and financial context, no significant uncertainties existed, as defined by paragraph 25 of IAS 1, regarding the going concern assumption.

This section illustrates the general principles adopted in the drafting of the financial statements for the year ended as at 31 December 2018, as required by IAS 1.

a) Going concern
Assets, liabilities and "off-statement of financial position" transactions are valued according to operating values, given that they are set to last over time.

b) Accrual basis accounting
Costs and revenue are recorded, regardless of the moment of their monetary settlement, on an accrual basis and according to the matching criterion.

c) Consistency of presentation
The presentation and classification of items are maintained constant over time in order to ensure the comparability of information, except where their change is required by an International Accounting Standard or interpretation, or it makes the presentation of values more appropriate, in terms of significance and reliability. If a presentation or classification criterion is changed, the new one applies, where possible, retroactively; in this case, the nature and the reason for the change are also indicated, as well the affected items.

d) Materiality and Aggregation
Each material class of similar items is shown separately in the financial statements. Items with a dissimilar nature or function are presented separately.

e) Prohibition of offsetting
Assets and liabilities, costs and revenue are not offset against one another, except where required or permitted by an International Accounting Standard.

f) Comparative information

Comparative information for the previous year is shown for all figures contained in the financial statements, unless prescribed or permitted otherwise by an International Accounting Standard or interpretation. Descriptive information is also included, when useful for understanding the data.

2.2 Financial statements and tables

The consolidated and separate financial statements are composed of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Equity, accompanied by the explanatory notes. They were drafted in line with the minimum contents of IAS 1 – Presentation of Financial Statements.

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

Other profits (losses) that will or will not be subsequently reclassified to profit (loss) for the year are also shown.

The variations generated by transactions with non-owners must be shown in a single separate table that shows the performance in the year (statement of comprehensive income and losses recorded) or in two separate statements: a table that shows the components of profit (loss) for the year (income statement) and a second table that starts from profit (loss) for the year and shows the items of the table of the other comprehensive income statement (Statement of comprehensive income).

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

The Group chose to show all changes generated by transactions with non-owners in two tables which measure the performance in the year, entitled "Income Statement" and "Statement of comprehensive income".

The income statement is drafted according to the layout with the classification of costs by nature, showing the interim results relating to the gross operating margin, operating result and the pre-tax result. The operating result is determined as the difference between net revenue and operating costs (the latter including non-monetary costs relating to amortisation/depreciation and write-downs of current and non-current assets, net of any write-backs) and including capital gains and losses generated by the disposal of non-current assets. In order to permit a better measurement of the trend in ordinary operations, cost and revenue components deriving from events or transactions that are considered non-recurring due to their nature or the materiality of their amount, are indicated separately, where significant.

The Statement of Financial Position is prepared according to the layout that shows a breakdown of assets and liabilities between current and non-current. Assets and liabilities are classified as current when they meet the following criteria:
- current assets are represented by cash or cash equivalents, by assets that are expected to be realised, sold or consumed during the normal execution of the company's operating cycle, available-for-sale assets, assets held for trading, or those that are expected to be realised within twelve months from the closing date of the reporting period;
- current liabilities are those that are expected to be extinguished during the normal operating cycle of the Group or within twelve months from the reporting date, liabilities held for trading or those that do not have an unconditional right to deferment of their extinguishment after twelve months. All other liabilities must be classified as non-current liabilities.

The Statement of Changes in Equity illustrates the changes that took place in items of equity relating to:
- allocation of the Group's profit (loss) for the year to non-controlling shareholders;
- amounts relating to transactions with shareholders;
- each item of profit and loss net of taxes, which is booked directly to equity or has a contra-item in an equity reserve;
- change in the valuation reserve of available-for-sale financial assets and in the cash flow hedge reserve;
- effect of any changes in accounting standards.

The Cash flow statement was drafted by applying the indirect method, through which the net income is adjusted by the effects of non-monetary transactions, any deferment or provision of previous or future operating collections or payments and by elements of revenue or costs connected to the cash flows deriving from investing or financing activities. Income and expenses relating to medium/long-term financing transactions and to the associated hedging instruments, as well as the dividends paid, are included in financing activities.

The figures of these financial statements are compared with those of last year's financial statements drafted using the same criteria.

However, as thoroughly described in the Report on Operations, the data for the year are not fully comparable with those of the previous year, given the different durations of the two periods (12 months versus 15 months) and the changes in the consolidation scope (better detailed in other sections of the financial statements).
As more fully described in the consolidated financial statements at 31 December 2017, the change in the consolidation scope has also had inevitable repercussions on the consolidated figures and the way in which they are presented in the financial statement tables and in the reclassified Directors' Report on Operations. These aspects therefore made it necessary to modify the structure of the financial statement tables and the reclassified Directors' Report on Operations to reflect the new business model and the Group's more robust industrial vocation. This amendment was made from the financial statements as at 31 December 2017.

Lastly, it should be noted that, in order to comply with the indications in Consob Resolution no. 15519 of 27 July 2006 "Provisions governing financial statement layouts", in addition to the mandatory tables, the appropriate Income Statement and Statement of Financial Position tables were prepared, with evidence of the significant amounts of positions or transactions with related parties indicated separately from the respective reference items.

The values of the items in the consolidated financial statements are expressed in Euro.

Events after the reporting period (IAS 10)

These financial statements were authorised for publication, in accordance with IAS 10, by the Board of Directors on 29 March 2019. Reference should be made to the information in the Directors' Report on Operations for a description of the significant events after the reporting period.

2.3 Accounting standards adopted by the Mittel Group

Intangible assets (IAS 38)

Intangible assets are identifiable non-monetary assets without physical substance, held to be used in a multi-year or indefinite period. These are recorded at cost, adjusted for additional expenses only if it is probable that the future economic benefits that are attributable to the asset will be realised and if the cost of the asset can be measured reliably. In the opposite case, the cost of the intangible asset is booked to the income statement in the year in which it was incurred.

The cost of intangible assets with a finite useful life is amortised using the straight-line method on the basis of the relative useful life.
If the useful life is indefinite, no amortisation is carried out, but solely the periodic verification of the adequacy of the book value of the fixed assets. Intangible assets originating from software developed internally and acquired from third parties are amortised on a straight-line basis, effective from the completion and entry into operation of the applications based on the relative useful life. At each reporting date, in the presence of impairment, the recoverable value of the asset is estimated.

The amount of the loss, booked in the income statement, is equal to the difference between the asset's book value and its recoverable value.
An intangible asset is derecognised from the statement of financial position on disposal or when no future economic benefits are expected from its use.

Goodwill can be recorded if representative of future income-generating capacities of the investee. A test is conducted at the close of each financial year to check the value of goodwill. Any impairment loss is determined on the basis of the difference between the book value of goodwill and its realisable value, equal to the higher of the fair value of the cash generating unit, less costs to sell, and the associated value in use.

Development costs refer to new product innovation projects and are recorded under assets in compliance with the considerations of IAS 38, i.e.:
- demonstrability of the technical feasibility of the products;
- intention of the Group to complete the development project;
- reliable determination of the costs incurred for the project;
- recoverability of the values recorded through the future expected benefits from completion of the development project.

It should be noted that said item includes any intangible assets under development to be amortised starting from the year their useful life starts.

Intangible assets with an indefinite useful life

An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.
Intangible assets with an indefinite useful life are not amortised but are subject to an impairment test, to verify the recoverability of their carrying amount; this test pertains to the value of the individual asset and is carried out when impairment has been identified and, in any case, at least on an annual basis.

Property, plant and equipment (IAS 16)

Property, plant and equipment are initially measured at cost which includes not only the purchase price, but all additional expenses directly attributable to the purchase and to bringing the asset to working condition for its intended use.
Extraordinary maintenance costs which involve an increase in future economic benefits are booked to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.
Property, plant and equipment include operating premises, plants, furniture, fittings and equipment of any type.
Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.
Property, plant and equipment are valued at cost, less any accumulated depreciation and impairment.
Property, plant and equipment are systematically depreciated over their useful life, by adopting the straight-line method.

The depreciation rates used by Group companies are as follows:
- Buildings: a range of between 3.0% and 6.0%
- Vehicles: a range of between 20% and 25%
- Fixtures and furnishings: 12%
- Office machines: a range of between 20% and 33%
- Equipment: a range of between 15% and 40%;
- Generic systems: 10%;
- Specific systems: a range of between 12.5% and 17.5%;
- Robotic work centres: 22%.

Land is not depreciated as it has an indefinite useful life.
Capitalisable costs for improvements to leased third-party assets are attributed to the asset classes to which they refer and amortised at the lower of the residual term of the rental agreement and the residual useful life of the asset to which the improvement relates.
At each reporting date, testing must be performed for any signs of impairment, or indications that show that an asset may have been impaired.
If there are signs of impairment, a comparison is made between the book value of the asset and its recoverable value, equal to the higher of the fair value, less costs to sell, and the associated value in use of the asset, understood as the present value of future cash flows originating from the asset. Any adjustments are booked to the income statement. If the reasons for the recognition of the loss no longer exist, the value is

revised, which cannot exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment.
Property, plant and equipment are derecognised from the statement of financial position on disposal.
Profits and losses deriving from transfers or disposals of assets are determined as the difference between the sales revenue and the net book value of the assets and are recognised in the income statement in the period.

Leasehold improvements are classified under property, plant and equipment, consistent with the nature of the cost incurred. The depreciation period corresponds to the shorter of the residual useful life of the tangible asset and the residual duration of the lease.

Leased assets (IAS 17)

Assets acquired under a finance lease are recorded under property, plant and equipment, with the recognition of a financial liability for the same amount under liabilities.
The liability is gradually reduced on the basis of the repayment plan of principal amounts included in contractual payments, while the value of the asset recorded under property, plant and equipment is systematically depreciated on the basis of the economic-technical life of the asset itself, or if shorter, based on the terms of expiry of the lease.
Costs for lease payments deriving from operating leases are recorded on a straight-line basis, based on the lease term.

Investments accounted for using the equity method (IAS 28)

Associates

The item includes interests held in:
- associates, recorded according to the equity method. Companies in which at least 20% of voting rights are held and investments which ensure influence over governance are considered associates;
- jointly controlled companies, also recorded according to the equity method;
- other minor investments, maintained at cost.

Investments in associates are measured according to the equity method, determined on the basis of the IFRS. According to said method, investments in associates are recognised in the statement of financial position at cost, adjusted for changes following the acquisition in the net assets of the associates, net of any impairment of the individual investments. The excess of the acquisition cost over the Group's percentage of the present value of the identifiable assets, liabilities and contingent liabilities of the associate at the acquisition date is recognised as implicit goodwill.
If the acquisition cost is lower than the Group's percentage of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate at the acquisition date, the value is credited to the income statement in the year of the acquisition. With reference to transactions which take place between a Group company and an associate, unrealised profits and losses are eliminated to the extent of the Group's percentage interest in the associate, with the exception of the cases in which unrealised losses constitute evidence of impairment of the transferred asset.
If there is evidence that the value of an investment has been impaired, the recoverable value of said investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the final disposal value of the investment.
If the recoverable value is lower than the book value, the relative difference is booked to the income statement. If the reasons for the impairment no longer exist following an event that occurred after the recognition of the impairment, reversals of the impairment losses are booked to the income statement.

Companies subject to joint control

IFRS 11, in force from 1 January 2014, replaces IAS 31, - Interests in joint ventures -, and SIC 13, - Jointly Controlled Entities - Non-monetary Contributions by Venturers -, and eliminated the possibility of adopting the proportional consolidation method, imposing the move to the equity method for consolidating jointly controlled entities.

Financial assets (IAS 32 and IFRS 9)

On initial recognition, a financial asset can be classified as:

(i) an asset measured at amortised cost – *"Hold to Collect"*,

(ii) an asset measured at fair value with recognition in the income statement – *"Trading/Other"* and lastly,

(iii) an asset measured at *fair value* with recognition in shareholder's equity – *"Hold to Collect & Sell"*.

The Group's classification is based on the entity's business model for managing financial assets and on the characteristics of contractual cash flows of financial assets.

With reference to the business model, this is determined by the Company for accounting purposes, in order to reflect the way in which financial assets are effectively managed to pursue company objectives.

The characteristics of contractual cash flows are verified through the SPPI test ("Solely Payments of Principal and Interest on the principal amount outstanding"), introduced by the new accounting standard IFRS 9 in order to verify whether a financial asset can be considered a "basic credit agreement" and therefore the contractual cash flows consist exclusively of payments of principal and interest accrued on the amount of principal to be repaid.

Receivables (assets measured at amortised cost)

A receivable shall be measured at amortised cost if both of the following conditions are met and it is not designated to FVTPL:

- the financial asset is held within the framework of a business model whose objective is the possession of financial assets aimed at collecting the relative contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

Loans and receivables are initially recognised when the right to receive the payment of the contractually agreed sums is acquired and, therefore, at the time of the disbursement. The initial book value coincides with the fair value of the asset, normally equal to the amount disbursed, including costs/income directly attributable to the individual instrument and determinable from the origin of the transaction, even if settled at a later date. Trade receivables without a significant loan component are initially measured at transaction price, as an exception to the general principle of initial recognition at fair value.

Following initial recognition, receivables are valued at amortised cost, equal to the initial recognition value, net of principal repayments, increased or decreased by impairment losses or reversal of impairment losses and amortisation calculated using the effective interest rate method.
The effective interest rate is the rate that matches the present value of the future cash flows of the receivable, for principal and interest, to the amount disbursed, including costs/income attributable directly to the receivable.

The amortised cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period as are any gains or losses on derecognition.

Loans and receivables are derecognised from assets only if (i) the contractual rights to the cash flows deriving from the financial assets expire or (ii) the Group transfers all risks and rewards related to the financial assets.
If it is not possible to ascertain the substantial transfer of the risks and rewards, the receivables are derecognised in the event no type of control is retained over said loans and receivables. In the opposite case, the maintenance of control, including partial, involves the retention of the loans and receivables in the financial statements to the extent of the Group's continuing involvement. The value of the continuing involvement in the transferred receivables corresponds to the extent to which the Group is exposed to a change in the value of said receivables.

Depending on their nature and expiry, loans and receivables are classified into the following items:

- financial receivables;
- sundry receivables and other assets.

Where, at the time of the recognition, the collectability of the loans and receivables is contractually established as after one year, these are classified under “non-current” assets. Loans and receivables falling due within one year are classified under “current” assets.

Other financial assets - assets measured at FVOCI

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

- the financial asset is held within the framework of a business model whose objective is achieved both by the collection of contractual cash flows and by the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

On initial recognition of an equity instrument not held for trading purposes, the Group may make an irrevocable decision to present subsequent changes in fair value in other components of the statement of comprehensive income. This decision is made for each investment.

Financial assets are initially recognised at the settlement date. The initial measurement is at fair value, to which are added the transaction costs directly attributable to the acquisition of the financial asset.

This category of financial assets is subsequently measured at fair value:

- for debt securities, interest income calculated under the effective interest method, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period. Other net profits and losses are recognised in other components of the statement of comprehensive income. On derecognition, gains and losses accumulated in other components of the statement of comprehensive income are reclassified to profit/(loss) for the period;
- for equities, dividends are recognised in profit/(loss) for the period unless they clearly represent a recovery of part of the investment cost. Other net profits and losses are recognised in other components of the statement of comprehensive income and are never reclassified to profit/(loss) for the period.

For the determination of the fair value, a three-level hierarchy is envisaged:

1) Listing on an active market, not adjusted. An active market is one where prices, which reflect normal market transactions, are quickly and regularly available via Stock Markets, Brokers, Intermediaries, Sector companies, Listing services or authorised entities and express the price of actual, adequate, continuous and regular market transactions that occur within a normal reference period.
2) Recognition of the fair value through components observable directly or indirectly on a listed market. In the event that the components used contain elements not observable directly on the market and/or adjusted, the significance of the same is established with respect to the fair value to define whether said fair value can be considered second or third level.
3) The use of estimate methods and evaluation models commonly adopted by the international financial community which take account of the specific characteristics of the instrument to be evaluated, with particular focus on the different types of risk associated with it and simultaneously use values not taken from the market and involve estimates and assumptions.

Based on the time frame for sale (within or beyond twelve months from the reporting date), financial assets belonging to this category are classified under “Other financial assets” in current or non-current assets.

Financial assets are derecognised when the contractual rights to the cash flows derived from said assets expire or when the financial asset is transferred, transferring substantially all related risks and rewards.

Other financial assets – assets measured at FVTPL

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. On initial recognition, the Group may irrevocably designate the financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise result from measuring the financial asset at amortised cost or at FVOCI.

Financial assets are initially recognised at the settlement date. Initial measurement is at fair value.

Subsequent measurement is at fair value. Net profits and losses, including dividends or interest received, are recognised in profit/(loss) for the period.

For a distinction between the levels of the fair value hierarchy, reference should be made to the information provided above in relation to assets measured at FVOCI.

Financial assets are derecognised when the contractual rights to the cash flows derived from said assets expire or when the financial asset is transferred, transferring substantially all related risks and rewards.

Cash and cash equivalents (IAS 7, IAS 32 and IFRS 9)

Cash and cash equivalents include bank and postal deposits, cash in hand and other forms of short-term investment, originally expiring in three months or earlier. Bank overdrafts are classified under financial payables in current liabilities. Elements included under cash and cash equivalents are measured at fair value and the associated changes booked to the income statement.

Inventories (IAS 2)

Property inventories

Property inventories are composed of land, properties under construction-renovation and properties completed for sale.
The initial recognition of inventories of completed properties held for sale occurs at the moment costs are incurred which are directly attributable to the order under construction. At the time of initial recognition, property inventories are measured at cost, increased by incremental expenses and the capitalisable financial expenses incurred.
The release of property inventories to the income statement takes place proportionally and at the same time as the transfer of the properties or parts of them.
During the initial phases of the order, given no sales have been verified, revenue is recognised under changes in inventories up to the limits of the costs incurred which is expected to be recovered. At the time of the transfer of the properties or parts of them, the actual order costs are recorded (incurred and estimated) by thousandths transferred, with the release of the property inventories to the income statement, under variations in inventories. It is only at this moment that the order profit or loss can be determined, in proportion to the part transferred.

Following initial recognition, property inventories held for sale continue to be measured at the lower of the cost (increased by incremental expenses and the financial expenses, to the extent that they can be capitalised) and the market value based on transactions involving similar properties in terms of area and type, and adequately adjusted to represent the prospects and timing of actual disinvestment.
Properties under construction and/or undergoing renovation are measured at the lower of the cost, increased by incremental expenses, of capitalisable financial expenses and the corresponding estimated realisable value.

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

Inventories of raw materials, goods, semi-finished and finished products are measured at the lower of cost and net realisable value. The measurement of inventories at cost includes the direct costs of materials and labour and indirect costs (variable and fixed). The cost of inventories of replaceable goods is allocated using the FIFO (first in, first out) method or the weighted average cost method. Simplified costing techniques for inventories, such as the standard cost method, may be used for convenience if the results approximate the cost. The Group uses the same cost determination method for all inventories with a similar nature and use. For inventories with a different nature or use, different methods for measuring cost may be justified. Provisions for write-downs are calculated for all inventories considered obsolete or slow-moving, taking into account their expected future use and realisable value. The realisable value represents the estimated selling price in the ordinary course of business, net of all the estimated costs for the completion of the good and the selling and distribution costs that will be incurred.

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 book value will be recovered mainly through sale rather than continuous use.
These conditions are considered to be met at the moment in which the sale or discontinuity of the disposal group are considered highly likely and assets and liabilities are immediately available for sale in the conditions in which they are found.
When the Group is involved in a disposal plan which involves the loss of control of an investee, all assets and liabilities of said investee are classified as held for sale when the above conditions are satisfied, also in the case in which, after the disposal, the Group continues to hold a non-controlling interest in the subsidiary.
Assets held for sale are measured at the lower of their net book value and the fair value less costs to sell.

Non-current assets held for disposal, disposal groups and discontinued operations whose book value will be recovered mainly through sale rather than continuous use, are measured at the lower of their net book value and the fair value less costs to sell.
In particular, a disposal group is a collection of directly related assets and liabilities held for disposal as part of a single transaction.
Discontinued operations are, by contrast, comprised of a significant component of the group, e.g. an important autonomous business unit or geographic business area or a subsidiary acquired on the exclusive basis of a resale.
In compliance with IFRS, the data relating to non-current assets held for disposal, disposal groups and discontinued operations are presented in two specific items of 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 subject to amortisation/depreciation and are measured at the lower of their book value and associated fair value, less costs to sell; any difference between the book value and the fair value less costs to sell is charged to the Income Statement as a write-down.
With exclusive reference to any discontinued operations, the net economic results achieved by them pending disposal, capital gains/losses deriving from said disposal and the corresponding comparative data of the previous year/period are presented in a specific item of the Income Statement: net profit (loss) from discontinued operations/assets held for sale.
By contrast, as regards capital gains/losses recorded as a result of measurement at fair value less costs to sell or from the disposal of non-current assets (or disposal groups) classified as "held for sale" pursuant to IFRS 5, a specific item was created in the income statement called "Profit (loss) from non-recurring transactions" included in the operating result, as better described in the previous paragraph of the Financial Statements.

Derecognition of financial assets and liabilities

Financial assets:

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:
- the rights to receive the cash flows from the asset expire;
- the Group retains the right to receive the cash flows of the asset, but assumes a contractual obligation to pay the cash flows in full and without delay to a third party;
- the Group has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In cases where the Group has transferred the rights to receive the cash flows from an asset and has neither transferred nor substantially retained all the risks and rewards or has not lost control of the asset, the asset is recognised in the Group's financial statements to the extent of its continuing involvement in the financial asset. Continuing involvement which takes the form of guaranteeing the transferred asset is measured at the lower of the initial book value of the asset and the maximum amount of the consideration that the Group could be required to repay.

Financial liabilities:

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Payables and Bonds (IAS 32 and IFRS 9)

These financial liabilities are initially recognised at the time the contract is signed, which coincides with the moment the sums collected are received.
Liabilities are initially recognised on the basis of the fair value, normally equal to the amount collected or the issue price, increased or decreased by additional costs/income directly attributable to the individual funding transaction and not repaid to the creditor. Internal administrative costs are excluded.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Depending on their nature and expiry, liabilities are classified into the following items:
- bonds;
- financial payables;
- sundry payables and other liabilities.

Where, at the time of the initial recognition, the collectability of the payable is contractually established as after one year, these are classified under “non-current” liabilities. Payables falling due within one year or indeterminate are classified under “current” liabilities.

Other financial liabilities (IAS 32 and IFRS 9)

Financial liabilities are initially recognised at the settlement date both for debt securities and for derivative contracts.
Upon initial recognition, financial liabilities held for trading are recorded at their fair value which normally corresponds to the consideration collected without taking into account the transaction costs or income directly attributable to said instrument which are, instead, booked directly in the income statement.
Debt securities and the negative value of derivative contracts (with the exception of those designated as hedging instruments) are classified in this category.
After initial recognition, financial liabilities held for trading are measured at fair value, with the recognition of changes through profit or loss.
For the determination of the fair value of financial instruments listed in an active market, market prices are used. In the absence of an active market, estimates and generally accepted valuation models are used, and which are based on observable market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounting of future cash flows, models for the determination of option prices and values recorded in recent comparable transactions.
Financial liabilities are derecognised when they expire or are extinguished also against purchases of the same securities. The difference between the book value of the liability and the amount paid to acquire it is recorded in the income statement.

Hedging derivatives (IAS 32 and 39)

The company's decision to maintain the hedge accounting requirements of IAS 39 pending final approval (not yet completed) of the IFRS 9 pillar that regulates this issue is noted at the outset.

The types of hedging transactions are as follows:
- fair value hedge, aimed at neutralising the exposure to changes in the fair value of a financial statement item;
- cash flow hedge, targeted at neutralising the exposure to changes in the future cash flows attributable to particular types of risks associated with financial statement items.

Hedging derivatives are measured at fair value and recognised in the items “other financial assets” and “other financial liabilities”; in particular:
- for fair value hedging instruments, the rules established by IAS 39 in relation to the provisions for “Fair Value Hedges” are complied with. These relate to hedging instruments whose objective is to hedge the exposure to fair value changes of certain financial activities relating to financial assets, deriving, in

particular, from risks associated with variability in their value. Profit or loss resulting from remeasurement of the hedging instrument at fair value is recorded in the income statement for a hedging derivative. Profit or loss on the hedged element attributable to the hedged risk adjusts the book value of the hedged element, recorded immediately in the income statement, even if the hedged element is otherwise valued at cost.
- in the case of cash flow hedges, fair value changes are booked to equity for the effective portion of the hedge and to the income statement solely where, with reference to the hedged item, a change occurs in the cash flows to be offset.

The derivative can be considered a hedge if there is formalised documentation on the unique relationship with the hedged element and if this is effective at the time the hedge was entered into and, in prospective terms, throughout the life of the hedge.

A relationship only qualifies as a hedge, and is accounted for accordingly, when all the following conditions are met:
- at the start of the hedge there is formal designation and documentation of the hedge relationship, of the Group's risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective for all reporting periods for which the hedge was designated.

The hedge is considered highly effective if, both at the start and during its life, fair value changes in the monetary amount hedged are almost completely offset by fair value changes in the hedging derivative, i.e. the actual results of the hedge are within a range of 80% - 125%.
The effectiveness of the hedge is initially verified through the prospective test and at the time of preparation of the annual financial statements through the performance of retrospective and prospective tests; the results of said tests justify the application of hedge accounting given that it demonstrates its expected effectiveness.

Provisions for personnel (IAS 19)

The employee severance indemnity (TFR) is considered a defined benefit plan. Benefits guaranteed to employees are recognised
monthly on an accrual basis and disbursed at the time of termination of employment.
The severance indemnity is accrued on the basis of the seniority reached at the end of the year by each individual employee in compliance with the laws and labour agreements in force at the reporting date. The accrual reflects the actual amount due to employees, based on the seniority accrued and salaries paid, recalculated on the basis of its actuarial value. The actuarial evaluations adopted are the best estimates regarding the variables that determine the final cost of the services after the termination of employment.
For discounting purposes, the Group uses the projected unit credit method which projects future disbursements on the basis of historical statistical analysis and the demographic curve and the financial discounting of these flows on the basis of a market interest rate. Actuarial gains and losses are recognised in the valuation reserve following the adoption of IAS 19 (revised).

Share-based payment arrangements (IFRS 2)

As part of the medium/long-term incentive plans, payment arrangements are envisaged for the Chief Executive Officer of Mittel S.p.A. and management with share-based payments on shares representing capital, consisting of the assignment of rights which, subject to the predefined conditions being met and at the end of the last year of the vesting period, offer beneficiaries the right to obtain the cash equivalent or, at the discretion of the Board of Directors, the equivalent in the form of Company’s shares.
In particular, the long-term variable incentive plan is based on the assignment of Stock Appreciation Rights (SARs), the value of which depends on the Mittel S.p.A. share performance. This plan envisages that, subject to predefined conditions being met, the beneficiaries can receive the equivalent in cash or in shares of the increase in value of the Company’s ordinary share.
The fair value of transactions involving share-based payments settled in the form of equity instruments is recognised as a cost in the income statement under personnel costs or service costs as a balancing entry to

the related item in equity, proportionally according to the period in which the service is provided and in consideration of the conditions established in the Incentive Plan regulations that offer the Company the option of choosing between cash settlement or the issue of equity instruments.

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 prices deriving from said transactions are recorded among equity reserves.

Business combinations and Goodwill

A business combination consists of an amalgamation of businesses or separate company activities into a single entity responsible for preparing the financial statements.
The business combination may give rise to a shareholding relationship between the parent company (acquirer) and the subsidiary (acquiree) or may also involve the acquisition of the net assets of another entity, including goodwill.
Business combinations are accounted for using the acquisition method provided by IFRS 3 – Business Combinations. The cost of a business combination identified as the fair value, on the date control is acquired, of the assets transferred, liabilities assumed and equity instruments issued for the purposes of performing the combination, including directly attributable costs, is therefore allocated by recording, at the acquisition date, the fair value of the identifiable assets, liabilities and contingent liabilities in the acquisition that meet the conditions for recognition set out in IFRS 3.
Additional costs in business combination transactions are booked in the income statement in the period in which they are incurred.
Conditional considerations are considered part of the transfer price of the net assets acquired and measured at fair value on the acquisition date. Similarly, if the business combination contract makes provision for the right to the return of certain price components when specified conditions are met, this right is classified by the acquirer as an asset. Any subsequent changes in fair value shall be recognised to adjust the original accounting treatment only if they are caused by additional or better information about this fair value and if they take place within 12 months from the acquisition date; all other changes shall be recognised in the income statement.
The goodwill resulting from the acquisition is to be allocated to cash generating units (CGUs) into which business combination activities are separated, as the goodwill is not able to generate cash flows autonomously. International accounting standard IAS 36 states that any CGU or group of CGUs to which goodwill can be allocated must represent the lower level at which the company controls the goodwill for management purposes and may not, in any case, be higher than a segment for which the company presents information disaggregated in accordance with IFRS 8 'Operating Segments'.

Any positive difference between the cost of the acquisition and the Group's share of the fair value of the acquired identifiable assets, liabilities or contingent liabilities is recorded as goodwill. If the difference is negative, it is booked directly in the Income Statement.
Non-controlling interests in the acquiree are initially measured to the extent of their share of the present values of the assets, liabilities and contingent liabilities recorded.
If a business combination is realised in several phases with subsequent purchases of shares, each phase is measured separately using the cost and information relating to the fair value of the assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any difference.
The initial allocation to the above assets and liabilities, by availing of the option provided by IFRS 3, may be determined provisionally before the end of the year in which the transaction was carried out, and it is possible to record the adjustment to the values assigned provisionally in the initial accounting within 12 months from the date of the acquisition of control.
Following initial recognition, goodwill is measured at cost less any accumulated amortisation. Goodwill always relates to the profit-generating activities identified, whose income and cash-flow generating capacity is constantly monitored for the purposes of impairment testing.
In the case of an acquisition of a subsidiary in phases, the non-controlling interest held previously, up until that moment accounted for in accordance with IFRS 9 (for non-qualified interests) or according to IAS 28 - Investments in Associates and Joint Ventures, is treated as if it had been sold and re-acquired on the date on which control was acquired. This investment is therefore measured at its fair value at the "transfer" date and the profits and losses resulting from the measurement are recorded in the income statement. In addition, each value previously recorded in equity as Other comprehensive profit and loss, booked in the income statement following the transfer of the asset to which it refers, is reclassified in the income statement.

Goodwill or income (in the case of badwill) deriving from business concluded with subsequent acquisition is determined as the sum of the price paid to obtain control, the value of non-controlling interests (measured according to one of the methods permitted by the standard), the fair value of the non-controlling interest held previously, net of the fair value of the net identifiable assets acquired.
Accounting of the acquisition of additional investments in companies already controlled are considered transactions with owners and, therefore, the differences between the acquisition costs and the book value of the non-controlling shares acquired are booked to equity pertaining to the Group.
Similarly, sales of non-controlling shares without the loss of control do not generate profits/losses in the income statement, but changes in equity pertaining to the Group.

Income taxes (IAS 12)

The effects relating to current and deferred taxes calculated in compliance with national tax legislation based on the accruals principle are recognised, consistently with the methods of recognition in the financial statements of the costs and revenue that generated them, by applying the applicable tax rates.
Income taxes are recorded in the income statement, with the exception of those relating to items debited from or credited directly to equity.
The provision for income taxes is determined on the basis of a prudential forecast of current and deferred tax assets and liabilities.
In particular, current taxes include the net balance of current liabilities in the year and current tax assets represented by payments on account and other tax credits for withholding tax.
Deferred tax assets and liabilities are determined on the basis of temporary differences - with no time limits - between the carrying amount of an asset or a liability and their tax base.
Deferred tax assets are recognised in the financial statements to the extent they are likely to be recovered, measured on the basis of the capacity of the relevant company or group of companies, due to exercise of the “tax consolidation” option, to generate taxable profit on an ongoing basis.
Deferred tax assets and liabilities are accounted for at equity level by carrying out offsets at said tax level and for each year by taking into account the time profile of expected repayment.
In years in which the deductible temporary differences are higher than the taxable temporary differences, the associated deferred tax assets are recorded under assets in the statement of financial position, in the item deferred tax assets. By contrast, in years in which the taxable temporary differences are higher than the deductible temporary differences, the associated deferred tax liabilities are recorded under liabilities in the statement of financial position, in the item deferred tax liabilities.
Deferred tax assets and liabilities are systematically measured to take account of any changes to the regulations or the tax rates and any different subjective situations of Group companies. In addition to the allocation of current and deferred taxes, the Group monitors, in line with IAS 37, any risks that may result from tax assessments already announced or, in any case, ongoing disputes with the tax authorities.

Provisions for risks and charges (IAS 37)

Accruals to the provision for risks and charges are made exclusively when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required in order to fulfil the obligation;
- the amount of the obligation can be reliably estimated.

Where the time factor is significant, the provisions are discounted. The allocation to the provision is recorded in the income statement. Interest expense accrued on provisions that have been discounted is also recorded in the income statement.
“Other provisions” include allocations to cover presumed losses on legal proceedings in which the company is the defendant and any claw-back claims; estimated disbursements for customer complaints relating to activities; other estimated disbursements in respect of existing legal or constructive obligations at the reporting date.

Revenue recognition (IFRS 15)

Sales of products and services

Revenue from the sale of products or services is recognised when the commitments laid down in the relative contracts are met. In particular, the following fundamental steps are required for the recognition of revenue:

- identification of the contract with the customer;
- identification of the contract's performance obligations;
- pricing;
- allocation of the price to the contract's performance obligations;
- revenue recognition when the entity satisfies every performance obligation.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. The enforceability of rights and obligations in the contract shall be governed by the law. The contract may be written, oral or implied from the entity's usual commercial practices.

At the initiation of the contract, the goods or services promised in the contract agreed with the customer are valued and a performance obligation is promised to transfer to the customer:

- a distinct good or service (or combination of goods and services), or
- a set of distinct goods or services which are substantially similar and follow the same pattern of transfer to the customer.

In determining the transaction price, account shall be taken of the terms of the contract and its usual commercial practices. The transaction price is the amount of consideration the entity believes it is entitled to in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected on behalf of others (e.g., sales taxes). The consideration promised in the contract with the customer may include fixed amounts, variable amounts or both. To estimate the amount of the variable consideration, the Group assesses the use of one of the following two methods, from time to time choosing the method that makes it possible to better predict the amount of consideration to which it will be entitled:

- the expected value, which is the sum of the amounts weighted by probability within a range of possible consideration amounts;
- the most probable amount, being the most probable amount within a range of possible consideration amounts (i.e. the most probable outcome of the contract).

The transaction price includes all or part of the variable consideration only to the extent that it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, there will be no significant downward adjustment to the amount of the accumulated revenue recognised.
In determining the transaction price, the entity shall adjust the promised amount of the consideration to take account of the effects of the time value of money if the payment terms agreed by the parties to the contract (explicitly or implicitly) offer the customer or entity a significant benefit in terms of financing the transfer of the goods or services to the customer. In this case, the contract contains a significant financing component.

For the purposes of allocating the transaction price, each performance obligation (or each separate good or service) is attributed an amount that reflects the consideration amount to which the entity expects to be entitled, in return for the transfer of the promised goods or services to the customer. In order to achieve the objective of the allocation, the transaction price is allocated, if necessary, between each of the commitments identified in the contract on the basis of the related stand-alone selling price.

Revenue is recognised when (or as) the performance obligation is met by transferring the promised good or service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer acquires control of it. Control of the good or service is transferred over time, and therefore fulfils the performance obligation and revenue is recognised over time, if one of the following criteria is met:

- the customer simultaneously receives and uses the benefits deriving from the Group's services as they are provided;
- the Group's performance creates or improves the asset (for example, work in progress) that the customer controls as the asset is created or improved; or
- the Group's performance does not create an asset that presents an alternative use for the Group.

For every performance obligation fulfilled over time, the Group recognises revenue over time, evaluating progress towards complete fulfilment of the performance obligation.

Interest

Interest is recognised on a *pro-rata temporis* basis, based on the contractual interest rate or the effective interest rate in the case of application of the amortised cost method.

Dividends

Dividends are recorded at the time the right to collection arises, which normally corresponds to the shareholders' meeting resolution on the distribution of dividends.

Earnings per share (IAS 33)

Basic earnings per share are determined on the basis of the ratio of profit for the period attributable to Shareholders of the Parent Company's ordinary shares to the weighted average number of ordinary shares outstanding in the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to take account of all potential ordinary shares, deriving, for example, from the possibility of exercising stock options assigned, which may have a dilutive effect.

Use of estimates

Preparation of the financial statements and the notes using IFRS requires management to use estimates and assumptions that affect the carrying amount of recognised assets and liabilities and information relating to the contingent assets and liabilities.
The estimates and assumptions used are based on experience and other factors considered relevant. The actual results may, therefore, differ from said estimates. The estimates and assumptions are reviewed periodically and the effects of each change made to them are reflected in the income statement in the period in which the estimate revision takes place if said revision only has an impact on said period, or also in subsequent periods if the revision has an effect on both the current period and future periods.
The main items in the financial statements affected by this estimation process are goodwill, deferred taxes, the fair value of financial instruments and the provision for risks and charges.
Please refer to the specific areas for more details.

Main sources of uncertainty in making financial statement estimates

The critical valuation processes and key assumptions used by the Group in the IAS/IFRS application process are summarised below.

Discretional choices in the accounting standard application process

Impairment losses - receivables and other financial assets

Following the first-time adoption of IFRS 9, the Group applies the expected credit loss (ECL) model in accordance with the new standard, replacing the incurred loss model in accordance with IAS 39.
The new impairment loss model applies to financial assets measured at amortised cost or at FVOCI, with the exception of equities and assets arising from contracts with customers. Financial assets measured at amortised cost include financial and trade receivables, cash and cash equivalents and debt securities.

Specifically, the new accounting standard establishes that, for financial assets not measured at fair value through profit or loss, value adjustments are determined on the basis of the expected loss at 12 months and, if a significant increase in credit risk is observed with respect to the date of initial recognition, on the basis of the expected loss determined over the entire residual life of the financial instrument. On the basis of these elements, financial assets are divided into three stages:

- stage 1 includes performing financial instruments for which there has been no significant increase in credit risk since the date of initial recognition. A 12-month ECL is then calculated, namely the ECL that results from a possible default over a 12-month period from the end of the reporting period;
- stage 2 includes performing financial instruments for which there has been a significant increase in credit risk since the date of initial recognition. In this case, so-called "lifetime" ECLs will be applied, i.e. ECLs resulting from all possible defaults over the expected life of a financial instrument;
- stage 3 includes non-performing financial instruments. The measurement will be determined analytically on the basis of the loss calculated on the residual life of the instrument.

For further information on the method used to apply the expected loss model in the impairment process, reference should be made to paragraph (2.4) dedicated to the first-time adoption of IFRS 9.

Recoverable value of non-current assets (including goodwill)

Non-current assets include property, plant and equipment and intangible assets (including goodwill), equity investments and other financial assets. Management periodically reviews the book value of the non-current assets held and used and the assets which must be disposed of, when facts and circumstances require said revision. This activity is performed by using estimates of expected future cash flows from the use or sale of the asset and adequate discount rates for the calculation of the present value. When the book value of a non-current asset has undergone impairment, the Group records a write-down for the value of the excess of the book value of the asset over its recoverable value through use or sale of the same, determined with reference to the Group's more recent plans.

Realisability of deferred tax assets

The Group records the deferred tax assets up to the value for which it deems their recovery likely, also taking into account a further worsening in the assumptions envisaged over a medium-term period and the fact that the net deferred tax assets allocated refer to temporary differences/tax losses which can be recovered.
The forecasts are based on taxable income that can be generated with reasonable certainty in light of budget results and the forecasts for subsequent years which consider the reasonable expectation of implementation of the planned transactions.
For further details, please refer to note no. 10.

Receivables

For loans and receivables and other assets evaluations are regularly performed in order to verify the existence of objective evidence that these have been impaired. In particular, in measuring receivables, account is taken of creditor solvency and of the characteristics of credit risk which is indicative of the individual debtor's payment capacity. Any impairment is recorded as cost in the income statement for the year.
Non-current loans and receivables, trade receivables and other receivables originated by the Group fall into this category. The estimate of the allowance for impairment is based on expected losses by the Group, determined on the basis of past experience with similar receivables, losses and collections.

Contingent liabilities

The Group is involved in legal disputes in relation to which, considering the inherent uncertainties, it is difficult to predict with any certainty the disbursement involved with these disputes. Legal proceedings and disputes derive from complex legal problems, which are subject to a different degree of uncertainty, including facts and circumstances concerning each case. The Group identifies a liability in respect of these disputes when it believes that the dispute will result in a cash outlay and when the amount of the resulting losses can be reasonably estimated. In the event in which a financial outlay becomes possible but the amount cannot be determined, this is reported in the explanatory notes.

Changes in accounting estimates

Pursuant to IAS 8, changes in accounting estimates are booked prospectively in the income statement starting from the year in which they are adopted. It should be noted that the period 1 January 2018 – 31 December 2018 was not characterised by changes to the estimation criteria already applied to draft the financial statements as at 31 December 2017.

Changes in IFRS, amendments and interpretations

Standards, amendments and interpretations in force from 1 January 2018

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

- IFRS 15 - Revenue from Contracts with Customers (published on 28 May 2014 and integrated with further clarifications published on 12 April 2016), which is due to replace IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 -

Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model which will apply to all contracts signed with customers except those covered by the scope of other IFRS/IAS standards such as leases, insurance contracts and financial instruments. The key steps in recording revenue according to the new model are:

- identification of the contract with the customer;
- identification of the contract's performance obligations;
- pricing;
- allocation of the price to the contract's performance obligations;
- revenue recognition criteria when the entity satisfies every performance obligation.

The standard was applied from 1 January 2018. The adoption of IFRS 15 did not require any adjustments in the manner and timing of accounting for revenue within the Group and therefore did not have an impact on the consolidated financial statements.

- Final version of IFRS 9 – Financial Instruments (published on 24 July 2014). The document includes the results of the IASB's project to replace IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of non-substantial changes in financial liabilities);
  - with regard to the impairment model, the new standard requires that expected credit losses are estimated on the basis of the expected losses model (and not on the incurred losses model used by IAS 39), using supporting information available without unreasonable cost or effort, including historical, current and forecast data;
  - introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, change in the accounting method for forward and option contracts when included in a hedge accounting relationship, changes to hedge efficiency testing).

  The new standard was applied from 1 January 2018. Please refer to paragraph 2.4 for a detailed description of the methods used by the Group to adopt the new standard and for information required concerning first-time adoption.

- Amendment to IFRS 2 - Classification and Measurement of share-based payment transactions (published on 20 June 2016), which contains a number of clarifications on accounting for the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and accounting for the changes in terms and conditions of a share-based payment that amends the classification from cash-settled to equity-settled. The changes were applied from 1 January 2018. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 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 supplement the pre-existing standards. Most of the changes were applied from 1 January 2018. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- Amendment to IAS 40 - Transfers of Investment Property (published on 8 December 2016). These amendments clarify transfers of a property to or from investment property. In particular, an entity must reclassify a property between, or from, investment property only when there is evidence that there has been a change in use of the property. This change must be traceable to a specific event that has occurred and must not, therefore, be limited to a change of intention by the entity's management. These changes were applied from 1 January 2018. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- Interpretation IFRIC 22 - Foreign Currency Transactions and Advance Consideration (published on 8 December 2016). The interpretation aims to provide guidelines for transactions carried out in foreign currency where advances or non-monetary payments on account are recognised in the financial statements before recognition of the related asset, cost or revenue. This document offers instructions on how an entity is required to determine the date of a transaction, and consequently the spot exchange rate to be used for transactions in foreign currency for which payment is made or received in advance. IFRIC 22 was applied as of 1 January 2018. The adoption of this interpretation had no effect on the Group's consolidated financial statements.

Standards, amendments and interpretations not yet applicable and not adopted early by the Group

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

- IFRS 16 - Leases (published on 13 January 2016), due to replace IAS 17 - Leases as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The new standard provides a new definition of "lease" and introduces a criterion based on the right of use of an asset to distinguish lease contracts from service contracts, as distinguishing features adopting the following: identification of the asset, the right to replace the asset, the right to essentially achieve all economic benefits from use of the asset and the right to direct the use of the asset underlying the contract.
  The standard establishes a single model for the recognition and measurement of lease contracts for the lessee, envisaging recognition of the asset covered by the lease (including operating leases) under assets with a balancing entry of a financial payable, also offering the option of non-recognition as leases of contracts involving low-value assets (i.e. leasing contracts for assets with a value of less than EUR 5,000) and leases with a contractual term of 12 months or less. Vice versa, the standard does not include significant changes for lessors.
  The standard is applicable from 1 January 2019 but early application is permitted. The directors expect that the adoption of IFRS 16 could have a significant impact on amounts and on related disclosures provided in the Group's consolidated financial statements. Please refer to paragraph 2.5 for a detailed description of the methods by which Group intends to adopt the new standard and for information required concerning first-time adoption.

- Amendment to IFRS 9 - Prepayment Features with Negative Compensation (published on 12 October 2017). This document specifies that instruments providing for early repayment could adhere to the "SPPI" test even in the event that the reasonable additional compensation to be paid in the event of early repayment is a negative compensation for the lender. The amendment applies from 1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

- On 7 June 2017, the IASB published the interpretative document IFRIC 23 - Uncertainty over Income Tax Treatments. The document addresses the issue of uncertainties as regards the tax treatment to be adopted in relation to income taxes.
  The document states that uncertainties in the measurement of tax liabilities or assets be reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure requirements but stresses that the entity will need to determine whether it will be required to disclose management's considerations concerning the uncertainty inherent in tax accounting in accordance with IAS 1.
  This new interpretation is applicable from 1 January 2019, but early application is permitted.

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

As at the reporting date of these consolidated financial statements, the competent bodies of the European Union have still not completed the endorsement process necessary for the adoption of the standards and amendments described below.

- On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts.
  The objective of the new standard is to ensure that an entity discloses relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to cover all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard is applicable from 1 January 2021, but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

- Amendment to IAS 28 - Long-term Interests in Associates and Joint Ventures (published on 12 October 2017). This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures to which the equity method is not applied. The amendment applies from 1 January 2019 but early application is permitted.

- The “Annual Improvements to IFRSs 2015-2017 Cycle" document published on 12 December 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 capitalisation), which incorporates the amendments to a number of standards as part of the annual process of improving them. The changes apply from 1 January 2019 but early application is permitted.

- Amendment to IAS 19 - Plant Amendment, Curtailment or Settlement (published on 7 February 2018). The document clarifies how an entity should recognise an amendment (i.e. a curtailment or settlement) of a defined benefit plan. The changes require an entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments clarify that after such an event, an entity uses updated assumptions to measure current service cost and interest for the remainder of the reporting period following the event. The changes apply from 1 January 2019 but early application is permitted.

- Amendment to IFRS 10 and to IAS 28 - Sales or Contributions of Assets between an Investor and its Associate or Joint Venture (published on 11 September 2014). The document was published to solve the current conflict between IAS 28 and IFRS 10 in relation to measuring the gains or losses deriving from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a percentage of the latter’s share capital. At present, the IASB has suspended the application of this amendment.

The directors do not expect the adoption of these amendments to have a significant effect on the Group’s consolidated financial statements, for which it is not yet possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis.

2.4 Impacts of first-time adoption of IFRS 9 – Financial Instruments

2.4.1 Introduction

The introduction of the new IFRS 9 accounting standard

The new IFRS 9 accounting standard, issued by the IASB in July 2014 and endorsed by the European Commission through Regulation no. 2067/2016, 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 from 1 January 2018, which until 31 December 2017 governed the classification and measurement of financial instruments.

IFRS 9 pillars and the main differences with respect to IAS 39

The three pillars on which the new standard is based are as follows:
- classification and measurement of financial assets and liabilities;
- losses due to impairment of financial assets;
- hedge accounting.

Below, in consideration of the company's decision to maintain the hedge accounting requirements of IAS 39, pending final approval of this pillar (which has not yet taken place), we describe the main elements of the first two pillars, illustrating their key characteristics, with respect to the requirements of IAS 39.

Classification – Financial assets and financial liabilities

IFRS 9 essentially maintains the provisions of IAS 39 for the classification and measurement of financial liabilities. However, for financial assets, the new standard eliminates the categories provided by IAS 39, i.e. held-to-maturity, loans and receivables and available for sale.

Under the new IFRS 9 standard, at the time of initial recognition, a financial asset is classified on the basis of its valuation: (i) assets measured at amortised 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 shareholder’s equity - “Hold to Collect & Sell”.
The classification provided by the standard is based on the entity's business model for managing financial assets and on the characteristics of contractual cash flows of financial assets.
With reference to the business models, this is determined by the Company for accounting purposes, in order to reflect the way in which financial assets are effectively managed to pursue company objectives.
The characteristics of contractual cash flows are verified through the SPPI test ("Solely Payments of Principal and Interest on the principal amount outstanding"), introduced by the new accounting standard IFRS 9 in order to verify whether a financial asset can be considered a "basic credit agreement" and therefore the contractual cash flows consist exclusively of payments of principal and interest accrued on the amount of principal to be repaid.

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

- the financial asset is held within the framework of a business model whose objective is the possession of financial assets aimed at collecting the relative contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

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

- the financial asset is held within the framework of a business model whose objective is achieved both by the collection of contractual cash flows and by the sale of financial assets;
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

On initial recognition of an equity instrument not held for trading purposes, the Group may make an irrevocable decision to present subsequent changes in fair value in other components of the statement of comprehensive income. This decision is made for each investment.

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. On initial recognition, the Group may irrevocably designate the financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise result from measuring the financial asset at amortised cost or at FVOCI.
Except for trade receivables without a significant financing component, which are initially measured at the transaction price, financial assets are initially measured at fair value plus, in the case of financial assets not valued at FVTPL, the transaction costs directly attributable to the acquisition of the financial asset.

The following measurement criteria apply to the subsequent measurement of financial assets.

a) Financial assets measured at FVTPL
These assets are measured at fair value. Net profits and losses, including dividends or interest received, are recognised in profit/(loss) for the period.

b) Financial assets measured at amortised cost
These assets are measured at amortised cost in accordance with the effective interest method. The amortised cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period as are any gains or losses on derecognition.

c) Debt securities measured at FVOCI
These assets are measured at fair value. Interest income calculated under the effective interest method, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period. Other net profits and losses are recognised in other components of the statement of comprehensive income. On derecognition, profit and losses accumulated in other components of the statement of comprehensive income are reclassified to profit/(loss) for the period.

d) Equities measured at FVOCI
These assets are measured at fair value. Dividends are recognised in profit/(loss) for the period unless they clearly represent a recovery of part of the investment cost. Other net profits and losses are recognised in other components of the statement of comprehensive income and are never reclassified to profit/(loss) for the period.

Impairment losses - Financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model.
The new impairment loss model applies to financial assets measured at amortised cost or at FVOCI, with the exception of equities and assets arising from contracts with customers. Financial assets measured at amortised cost include financial and trade receivables, cash and cash equivalents and debt securities.

Specifically, the new accounting standard establishes that, for financial assets not measured at fair value through profit or loss, value adjustments are determined on the basis of the expected loss at 12 months and, if a significant increase in credit risk is observed with respect to the date of initial recognition, on the basis of the expected loss determined over the entire residual life of the financial instrument. On the basis of these elements, financial assets are divided into three stages:

- stage 1 includes performing financial instruments for which there has been no significant increase in credit risk since the date of initial recognition. A 12-month ECL is then calculated, namely the ECL that results from a possible default over a 12-month period from the end of the reporting period;
- stage 2 includes performing financial instruments for which there has been a significant increase in credit risk since the date of initial recognition. In this case, so-called “lifetime” ECLs will be applied, i.e. ECLs resulting from all possible defaults over the expected life of a financial instrument;
- stage 3 includes non-performing financial instruments. The measurement will be determined analytically on the basis of the loss calculated on the residual life of the instrument.

Transitional project activities and impacts on Governance

The company completed project activities supporting the implementation of the new standard, analysing all issues relating to the "Classification & Measurement" and "Impairment" focus areas and reflecting in the consolidated data the results of the analyses carried out, within the entire scope of the Group.

The company has also defined internal policies for the prospective management of the classification and measurement rules set out by the standard, with particular reference to the business model, the SPPI test and the model for the application of impairment of receivables.

2.4.2 Summary of impacts of IFRS 9

First-time adoption

Amendments to the accounting standards deriving from the adoption of IFRS 9 have been essentially applied retroactively, with the exception of that detailed below.

- The Group has availed itself of the exemption that negates the need to recalculate the comparative information for previous years relating to changes in classification and measurement (including impairment losses). As a general rule, differences in the book values of financial assets and liabilities arising from the adoption of IFRS 9 were recognised in profit carried forward and reserves at 1 January 2018.
- The following assessments were made on the basis of the facts and circumstances existing at the date of first-time adoption:
    - Definition of the business model for a financial asset.
    - Designation and revocation of previous designations of certain financial assets and liabilities in the FVTPL category.

Summary of impacts on the statement of financial position

Dati in Euro '000		Impatti IFRS 9		
Voce di bilancio	31/12/2017	Classification & Measurement	Impairment (ECL)	01/01/2018
Attivo				
Crediti finanziari non correnti	81.776	-	(4.381)	77.395
- crediti al costo ammortizzato		*(20.592)*		
- crediti al FV PL		*20.592*		
Altre attività finanziarie non correnti	25.279	-		25.279
- attività finanziarie FV OCI	*25.279*	*(25.279)*		*-*
- attività finanziarie FV PL	*-*	*25.279*		*25.279*
Crediti finanziari correnti	396			396
Totale impatti IFRS 9		***-***	***(4.381)***	
Passivo e patrimonio netto				
Riserve (Gruppo)	86.499	-	(4.381)	82.118
- Riserva da valutazione OCI IAS 39 (Gruppo)	*3.021*	*(3.021)*		*-*
- Altre riserve (Gruppo)	*83.478*	*3.021*	*(4.381)*	*82.118*
Patrimonio di pertinenza di terzi	23.218	-		23.218
- Riserva da valutazione OCI IAS 39 (terzi)	*218*	*(218)*		*-*
- Altro (terzi)	*23.000*	*218*		*23.218*
Totale impatti IFRS 9		***-***	***(4.381)***	

In summary, the first-time adoption of the standard entailed:

- In terms of classification:
  - a reclassification from the IAS 39 - Loans and Receivables portfolio to the IFRS 9 - Assets measured at fair value through profit or loss portfolio, due to the failure of the SPPI test, of a loan of around EUR 20.6 million;
  - reclassifications from the IAS 39 - Available for sale portfolio to the IFRS 9 - Assets measured at fair value through profit or loss portfolio of investment fund shares and equity instruments for a total amount of around EUR 25.3 million;
- In terms of measurement, the recognition of an additional allowance for impairment on financial receivables of approximately EUR 4.4 million, under the Expected Loss model provided for by IFRS 9, replacing the Incurred Loss model provided for by IAS 39.

For further information, reference should be made to the details provided in the following paragraphs.

2.4.3 Application of IFRS 9 in terms of classification and measurement

With regard to the definition of the business model, the analyses conducted did not involve the identification of credit positions for which the Hold to Collect business model was not applicable.

With regard to equity securities held at the date of first-time adoption, the Group did not avail of the option to classify equity instruments at fair value with recognition in shareholders' equity (FVOCI).

In relation to the SPPI test, the Group has defined the methodology to be used to carry out the test and completed the activities on the receivables portfolio, carrying out analyses differentiated by type of loan (trade and financial) and by business segment. With regard to securities, on the basis of the recent clarifications provided by IFRIC, it should be noted that shares in investment funds held, previously classified under Available-for-sale financial assets, are measured at fair value through profit or loss.

The following table shows the impact of the transition to the new IFRS 9 accounting standard within the "Classification & Measurement" field.

Dati in Euro '000			
Classificazione IAS 39	**Classificazione IFRS 9**	**31/12/2017**	**01/01/2018**
Crediti finanziari non correnti			
Loans & receivables	Amortised Cost	61.184	56.803
Loans & receivables	Fair Value through profit or loss	20.592	20.592
Totale		**81.776**	**77.395**
Altre attività finanziarie non correnti			
Available for sale - titoli di capitale	Fair Value through profit or loss	9.831	9.831
Available for sale - quote di OICR	Fair Value through profit or loss	15.448	15.448
Totale		**25.279**	**25.279**
Crediti finanziari correnti			
Loans & receivables	Amortised Cost	396	396
Totale		**396**	**396**

As previously mentioned, the new classification rules have had the following impacts:

- a reclassification of EUR 20.6 million was recorded in non-current financial receivables, from the portfolio of assets measured at amortised cost to the portfolio of financial assets measured at fair value through profit or loss, due to the failure of the SPPI test on a Group credit position; in the changeover there were no valuation effects, as a result of the correspondence of the book value at amortised cost with the fair value of the reclassified receivable;
- the entire portfolio of financial assets available for sale was reclassified (within the non-current financial assets item) for a total of EUR 25.2 million and measured in accordance with IAS 39 at fair value through other comprehensive income, to financial assets measured at fair value through profit or loss; this reclassification specifically involved:
  - units of UCITS held by the Group for EUR 15.4 million; it should be noted in this regard that the entry into force of IFRS 9 has sanctioned the characterisation of units held in investment funds as debt instruments; as a result, unlike in the case of IAS 39, under which these units were classified among "available for sale" financial instruments, according to IFRS 9 the combination of the qualification as a debt instrument and the inevitable failure of the SPPI test necessarily implies a classification among financial instruments measured at fair value through profit or loss;
  - equities amounting to EUR 9.8 million, for which the Company did not avail itself of the option to measure at fair value through other comprehensive income (FVOCI).

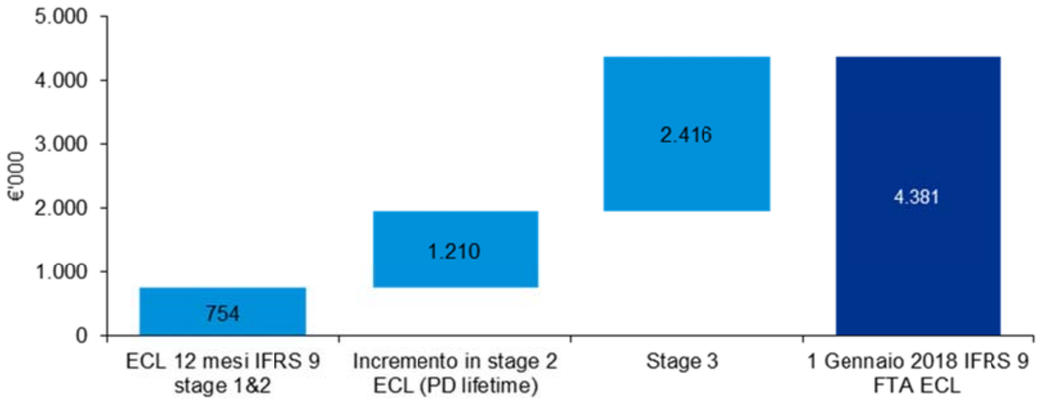
The valuation reserves in place at 31 December 2017 on certain available for sale financial assets, which amounted to a positive total of EUR 3.2 million (EUR 3.0 million attributable to the Group), were reduced to zero as a result of the aforementioned classification made in accordance with IFRS 9, with a reversal to general consolidated reserves. Subsequent changes in the fair value of the financial assets described above will have a direct impact on the income statement.

Deferred taxes recorded at 31 December 2017 against the positive gross valuation reserve in place under IAS 39 were reduced to zero due to the tax impact of the reserve accrued up to 31 December 2017. In fact, the specific tax regulations applicable on first-time adoption of IFRS 9 required the inclusion, as the taxable amount, in the calculation of current taxes for the year of first-time adoption, of existing cumulative fair value changes up to 31 December 2017 under IAS 39.

2.4.4 Application of IFRS 9 in terms of impairment

Impact of the transition from the impairment model of IAS 39 to IFRS 9

The following table summarises the effects of the first-time adoption of the ECL model required by IFRS 9.



At the time of first-time adoption, the overall impact of the new rules for determining impairment on Group receivables amounted to EUR 4.4 million. This overall effect on consolidated shareholders' equity is as a result of:

- EUR 0.8 million for the adoption, on stage 1 and 2 positions, of an expected credit loss (ECL), calculated based on an estimated probability of default (PD) over a 12-month time period;
- EUR 1.2 million for the extension of the reference period, only for stage 2 positions, for the calculation of the PD within the entire remaining life of the loan (the so-called "lifetime PD")
- EUR 2.4 million for the inclusion of possible settlement scenarios in stage 3 positions; in fact, contrary to the provisions of IAS 39, the provisions of IFRS 9 require the estimation of cash flows deriving from the recovery under different scenarios, including any foreseeable disposal scenarios that are appropriately estimated to reflect the outlook at the time of the assessment; it should also be noted that any settlement scenarios are in any case compatible with a hold to collect (HTC) business model, since sales of eligible assets are subject to a significant increase in credit risk (by definition, this requirement is met for stage 3 loans).

In addition to the disclosures required by IFRS 7 (Financial instruments: additional disclosures), the following should be noted:

- information on the impact of IFRS 9, broken down by class of instrument, refers exclusively to assets measured at amortised cost, since there are no debt instruments in the portfolio that were measured through other comprehensive income;
- in relation to the breakdown of the consolidated data by legal entity and operating sector, the only credit positions with significant impacts deriving from the first-time adoption of IFRS 9 are those held by the parent company, attributable to the "Private equity and investments" operating sector.

Description of the ECL methodology and its key elements

The general principle for the expected multi-year credit loss is that it should be quantified using both qualitative and quantitative information and by discounting the potential periodic loss on the basis of the following formula:

$$ECL = \sum_{t=1}^{T} DF_{(t,t_0)} \times \left(EAD_{t-1} \times LGD \times (cPD_t - cPD_{t-1})\right)$$

In which:

- t identifies the time interval, annually, over which the calculation of ECL is discretised, in particular T represents the latest moment in time to be considered based on the maturity date of the instrument;
- $DF_{(t,t_0)}$ represents the discount factor for the year t, instantly estimated t_0;
- $cPD_t - cPD_{t-1}$ represents the Probability of Default, estimated at counterparty level, in the time interval $[t-1; t]$ calculated as the difference between the values of the relative accumulated PD curves at the extremes of the interval;
- LGD represents the Loss Given Default calculated in relation to the tranche;
- EAD_t identifies the expected Exposure At Default in case of default of the instrument at time *t*.

The main aspects of the method adopted to determine the Expected Credit Loss are described below.

- *Description of the methodology for the creation of the risk parameters, EAD, PD, LGD*

  The exposure at default (EAD) is determined on the basis of the amortised cost method. Arrears interest is excluded (not recognised) on past due positions.

  For the Group, the granting of loans is not a core activity and, therefore, there are no sophisticated credit scoring systems or robust historical data available on the losses incurred that can be used to estimate the expected losses (after refining the analysis with the inclusion of forward looking information). The probability of default (PD) of positions in stages 1 and 2 is therefore determined from external historical sources (deterioration rates recorded by the banking system differentiated by macro-sectors and geographical areas), incorporating prospective evaluation elements on the basis of a simplified model that identifies a relationship between deterioration rates and macroeconomic performance. For the choice of the model for determining PDs, an approach consistent with the guidelines provided by the standard was maintained (with particular reference to the lack of need to sustain an "undue cost and effort"), also considering the limited number of positions held in the portfolio.

  With regard to LGDs (loss given defaults), after having carried out analyses on the availability of databases that could be used to estimate the LGD parameter under IFRS 9, the company decided to make use of recovery rate estimates published annually by external credit rating agencies (in particular Moody's) and differentiated according to different characteristics (type of issuer, seniority level of the bonds used for the estimates). The LGD value thus obtained (through-the-cycle) is considered constant for the entire residual life of the financial instruments under analysis. This choice was considered by the company consistent with the standard as regards the lack of need to sustain an undue cost and effort and the characteristics of the loan portfolio held.

- *Description of the methodology for the recognition and monitoring of the Significant Increase of Credit Risk (SICR)*

  The Group has identified the main criteria that will lead to the transition from the first to the second stage: in particular, reference will be made to the possible presence of significant past due dates and/or indicators of a significant increase in credit risk.

- *Description of the Forward Looking Information (FLI) inclusion methodology*

  As mentioned above, the Group incorporates elements of prospective evaluation for the determination of PDs (and therefore ECLs) on the basis of a simplified model that identifies a relationship between rates of deterioration and macroeconomic performance. On the basis of this relationship (and updated at each valuation date) and the forecasts available from market sources on the expected macroeconomic performance, the probability of default is therefore estimated for the various time periods. The ongoing updating, at each valuation date, of the historical PDs, of the regression model between PD and the trend of the economic cycle and of the forecasts on the trend of the economy, allows the impairment model to react adequately to changes in the scenario, and is therefore consistent with the requirements of the standard.

- *Description of model backtesting methods*

  The presence of a receivables portfolio with a limited number of positions and minimum changes prevents a constant comparison between loss forecasts and actual losses. This comparison will be made on the occurrence of future collections of receivables held. In the event of the emergence of significant deviations between expected and actual losses, any adjustments to be made to the model to make it more effective from a forward-looking point of view will be assessed.

- *Critical judgement in the development of the impairment model:*

  The impairment process requires the unavoidable use of estimates and assumptions by company management. The use of an ECL model for stage 1 and 2 positions, which uses market parameters, mitigates the subjective elements present in the loan valuation process, anchoring the estimate of expected losses to objective parameters that cannot be governed at the discretion of company management. Inevitably, greater margins of uncertainty persist on the analytical evaluation of the positions in stage 3. In any case, the management includes all the valuation elements available at the different reporting dates, developing, when necessary, different scenarios for the forecast of the recoverable cash flows, appropriately weighted on the basis of the best estimate of the actual probability of their realisation. Specifically, as described above, the Group has adopted alternative economic scenarios for particular positions for which, based on available information, there are real prospects of settlement solutions alternative to the normal recovery of positions from debtor counterparties.

2.5 Impacts of first-time adoption of IFRS 16 – Leases

With the publication of the new accounting standard, IFRS 16 - Leases, IASB replaces the accounting rules envisaged in IAS 17 as well as the interpretations in IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases - Incentives, and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease, establishing that all lease contracts must be recognised in the statement of financial position as assets and liabilities regardless of whether they are "financial" or "operating" leases.
According to the new IFRS 16 standard, a contract represents or contains a lease when it grants the right to control the use of an identified asset for a period of time, established at the contract's origination, in exchange for an agreed payment, while the lessee obtains essentially all economic benefits that derive from the use of the asset.
The new standard introduces new concepts such as the "right of use" for the leased asset, which establishes when a contract must be considered a "lease" or a "service" contract. The contract is a lease when the lessee is able to manage the use and obtain the economic benefits from the asset, which is identified and the subject of the contract that defines the conditions for its use and, even if not stated, maintaining its efficiency over time. The lessee does not have the "right of use" if the lessor has the substantive right to replace it with another asset during the term of the contract, making it a service contract rather than a lease contract.
In addition to these key concepts to distinguish a lease from a service contract, there is also the "lease term", that is, the time period during which the contract cannot be cancelled, in which the lessee has the right to use the asset.

The adoption of the standard implies the recognition in fixed assets of the "right of use" of leased assets that fall within the standard's application scope and the recognition in liabilities of the related financial payable.
In particular, the lessee recognises the lease payable equal to the present value of the lease payments envisaged in the contract and the asset deriving from the right of use for the underlying asset, measured at the initial value of the liability, plus direct costs and lease payments made to the lessor.
This amount is discounted using the rate that is charged to the lessee, and if there is no such rate, payments are discounted at the lessee's incremental borrowing rate.
If ownership of the asset is transferred, at the end of the contract and if the asset's cost for the right of use reflects the possibility that the lessee will exercise the purchase option, it will be amortised based on the useful life, otherwise it is amortised based on the lower of the asset's useful life and the duration of the lease contract.
Contracts that fall within the standard's application scope for Mittel Group mainly regard the rental of: real estate complexes exclusively used for industrial or commercial purposes in the production or supply of goods and services or used as offices for purposes of business administration; certain specific machinery; certain electronic machinery; some cars and internal transportation vehicles.

For the transition approach, Mittel Group chose the modified retrospective method, excluding the initial direct costs from the measurement of the right of use at the transition date of 1 January 2019.
Specifically, for leases that were previously classified as operating leases, the modified retrospective method envisages that:

- the lessee must recognise the lease liability at the application date as the present value of the remaining payments due for the lease, discounted using the lessee's marginal borrowing rate at the date of the initial application;
- the lessee must recognise an asset consisting of the right of use at the initial application date for leases previously classified as operating leases.

Lease payments may also include non-leasing components. In this case, the components not related solely to the lease should be separated and excluded from the calculation of the right of use and the financial payable. For first-time adoption, Mittel Group decided to apply the practical expedient permitted by IFRS 16.15, not separating the various components of the lease payment; in fact, analyses showed that the payment components for services do not represent a significant part of the lease payment.
For the fixed component of the lease payment, there may be payments that formally contain variable portions, but in substance are fixed, as they cannot be avoided (known as "in-substance fixed lease payments"). Variable rate payments that are based on an index or an interest rate include, for example, payments linked to a consumer price index (e.g., ISTAT), payments linked to a reference interest rate, or payments that vary to reflect changes in interest rates linked to the rental market are considered lease payments included in financial payable for leasing.
The variable component of the lease payment that is not based on an index or interest rate (e.g., based on usage or performance) is excluded from lease payments.

Upon first-time adoption (FTA), Mittel Group considered, for purposes of determining the right of use and the financial payable, the last lease payment made on contracts outstanding at the FTA date (1 January 2019).

The initial costs associated with obtaining the lease contact that would not have been incurred if the lease had not been obtained must be considered in determining the value in use. However, as at the FTA date, these costs were not considered as they had already been recognised in the income statement.

Leasehold improvements are significant improvements borne by the lessee (or envisaged during the contract's duration), which are expected to have a significant economic benefit; costs incurred for leasehold improvements are a factor that Mittel Group considered for purposes of determining the extension period for lease contracts (in particular, whether or not to include the extension period).

Mittel Group also made use of the practical expedient that allows assets of moderate value, such as PCs, printers, and electronic equipment (IFRS 16.5.b), and short-term contracts (IFRS 16.5.a) to be excluded from the standard's application. For these contracts, the introduction of IFRS 16 will not entail the recognition of lease's financial liability and related right of use, but the lease payments will be recognised in the income statement on a straight-line basis for the duration of the respective contracts.

Furthermore, note that for finance leases, the value of the leased asset will be reclassified as an asset for the related right of use and the financial liability previously recognised will be maintained.

Lastly, the transition to IFRS 16 introduced certain elements of professional discretion that involve the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate.
The main discretionary elements are summarised as follows:

- *lease duration*: the duration was determined based on the individual contract and is represented by the "non-cancellable" term, together with the effects of any extension or early termination clauses whose exercise was deemed reasonably certain and taking into account the contract's clauses. Specifically, for buildings this measurement considered the specific facts and circumstances of each asset;
- *incremental borrowing rate*: in most lease contracts stipulated by the Group, there is no implicit interest rate (interest rate which causes the present value of: a) lease payments due and b) the non-guaranteed residual value, to be equal to the sum of: i) the fair value of the underlying asset and ii) of any initial direct costs for the lessor), hence the discount rate to be applied to future lease payments was calculated as the risk-free rate in Italy, with maturities corresponding to the duration of the specific lease contract, increased by the specific credit spread of the Parent Company and any costs for additional guarantees.
  This incremental borrowing rate (IBR) of the lessee represents the interest rate that the lessee must pay for a loan with a similar duration and guarantees necessary to obtain an asset of similar value, consisting of the right of use in a similar economic context. Upon FTA, Mittel Group decided to centrally determine the IBR to ensure consistency within the Group.

The expected impacts from the first application as at 1 January 2019 are significant and consist of an increase in the Group's consolidated assets, estimated at Euro 128 million, equal to the net value at the FTA date of the rights of use, and an increase in financial liabilities for an amount estimated at Euro 134 million, equal to the present value of future payments during the lease term. The initial application will cause a deterioration in the net financial position, due to the inclusion of the aforementioned financial liability, and an improvement in the gross operating margin (EBITDA), attributable to the elimination of the costs for leases currently recognised in the income statement, with new costs related to the amortisation of the rights of use and interest payable on the recognised financial liabilities.

3. Consolidation scope

The Consolidated Financial Statements include Mittel S.p.A. and its direct and indirect subsidiaries, including in the consolidation scope - as specifically provided for by the IAS/IFRS - also companies operating in business sectors dissimilar to those to which the Parent Company belongs.
The following are considered subsidiaries: companies in which Mittel is exposed to variable returns, or holds rights over said returns, deriving from its relationship with the same and at the same time has the capacity to affect the returns by exercising its power over said entities.
Control only exists when the following elements are simultaneously present:

- power to direct the relevant activities of the investee;
- exposure or the rights to variable returns deriving from the relationship with the investee;
- the ability to use its power over the investee to affect the amount of the investee's returns.

The consolidation scope does not include structured entities for which the requirements of effective control may be met, including regardless of the existence of an equity interest.
Entities in which, on a contractual basis, control is shared between the Parent Company, directly or indirectly, and one or more other entities, or when decisions about the relevant activities require the unanimous consent of the parties sharing control, are considered jointly controlled.
Companies in which Mittel, directly or indirectly, holds at least 20% of voting rights (including therein "potential" voting rights) or in which - despite with a lower share of voting rights - has the power to participate in the determination of the financial and management policies by virtue of particular legal links, such as participation in shareholders' agreements, are considered associates, i.e. subject to a significant influence.
Any interests exceeding 20%, however for a small amount, are excluded from the consolidation scope and classified under Available-for-sale assets, given that Mittel directly or indirectly, exclusively holds equity rights over a portion of the profits from the investments, has no access to the management policies and can exercise governance rights limited to the protection of its own equity interests.
Lastly, the consolidation scope excludes non-investee companies for which pledged shares have been received with voting rights exceeding 20%, in consideration of the purpose of said instrument which is the protection of the credit granted and not the exercising of control and management of the financial and economic policies, in order to enjoy the economic benefits deriving from them.

Compared to the situation at 31 December 2017 the consolidation scope as at 31 December 2018 has undergone the following main changes:

- the special purpose vehicle Zaffiro Sanremo S.r.l. was established, 100% controlled by Gruppo Zaffiro S.r.l., which on 5 March 2018 acquired a business branch related to an already operational nursing home located in Sanremo;
- the special purpose vehicle Zaffiro Firenze S.r.l. was established, 100% controlled by Gruppo Zaffiro S.r.l., which on 15 December 2018 acquired full ownership of Villa Gisella S.r.l., a nursing home already in operation in Florence;
- Zaffiro Costruzioni S.r.l., a 100% subsidiary of Gruppo Zaffiro S.r.l., was established, and in June 2018 it acquired a plot of land in Pogliano Milanese for EUR 1.2 million, on which work is expected to begin in the coming months for the construction of a new nursing home;
- Mittel Investimenti Immobiliari S.r.l. acquired a minority interest in the share capital of the subsidiary Lucianita S.r.l., which is now 100% owned by the Group.

The table below indicates the investments included in the consolidation scope of the consolidated financial statements as at 31 December 2018:

	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	Earchimede S.p.A.	Milan	(1)	Full	Mittel S.p.A.	85,01%	85,01%	85,01%
2	Ghea S.r.l.	Milan	(1)	Full	Mittel S.p.A.	51,00%	51,00%	51,00%
3	Markfactor S.r.l. in liquidation	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
4	Mittel Advisory S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
5	Mittel Investimenti Immobiliari S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
6	Mittel Design S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
7	IMC S.p.A.	Carmagnola (TO)	(1)	Full	Mittel S.p.A.	75,00%	75,00%	75,00%
8	Gruppo Zaffiro S.r.l.	Martignacco (UD)	(1)	Full	Mittel S.p.A.	75,00%	75,00%	75,00%
Indirect subsidiaries:								
9	Ceramica Cielo S.p.A.	Fabrica di Roma (VT)	(1)	Full	Mittel Design S.r.l.	80,00%	80,00%	80,00%
10	Balder S.r.l.	Milan	(1)	Full	IMC S.p.A.	100,00%	100,00%	75,00%
11	Zaffiro Ancona S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
12	Zaffiro Ancona Uno S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
13	Zaffiro Fagagna S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
14	Zaffiro Fermo S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
15	Zaffiro Magnano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
16	Zaffiro Martignacco S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
17	Zaffiro Montesicuro S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
18	Zaffiro Rivignano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
19	Zaffiro San Lorenzo S.r.l.	San Lorenzo in Campo (PU)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
20	Zaffiro Sviluppo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
21	Zaffiro Tarcento S.r.l.	Tarcento (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
22	Zaffiro Urbania S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
23	Zaffiro Sanremo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
24	Zaffiro Costruzioni S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
25	Zaffiro Firenze S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
26	Villa Gisella S.r.l.	Florence	(1)	Full	Zaffiro Firenze S.r.l.	100,00%	100,00%	75,00%
27	Ethica & Mittel Debt Advisory S.r.l.	Milan	(1)	Full	Mittel Advisory S.r.l.	51,00%	51,00%	51,00%
28	Gamma Tre S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
29	Lucianita S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
30	MiVa S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
31	Regina S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
32	Fashion District Group S.r.l. in liquidation	Milan	(1)	Full	Earchimede S.p.A.	66,66%	66,66%	56,67%
33	Parco Mediterraneo S.r.l.	Milan	(1)	Full	Fashion District Group	100,00%	100,00%	56,67%
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	Mit.Fin. S.p.A.	Milan	(6)	Equity	Mittel S.p.A.	30,00%	30,00%	30,00%
Indirect associates:								
3	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.

Significant valuations and assumptions for determining the consolidation scope

As stated previously, the following are considered subsidiaries: companies in which Mittel S.p.A. is exposed to variable returns, or holds rights over said returns, deriving from its relationship with the same and at the same time has the capacity to affect the returns by exercising its power over said entities. Control only exists when the following elements are simultaneously present:

- power to direct the relevant activities of the investee;
- exposure or the rights to variable returns deriving from the relationship with the investee;
- the ability to use its power over the investee to affect the amount of the investee's returns.

More specifically, the Group considers the following factors when assessing the existence of control:

- the purpose and the structure of the investee, in order to identify the entity's objectives, its relevant activities or those that significantly affect returns, and how these activities are governed;
- the power, in order to understand whether the Group has contractual rights that attribute the ability to direct the relevant activities;
- the exposure to the variability of the returns of the investee, in order to evaluate whether the return received by the Group may potentially vary based on the results achieved by the investee.

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

- decision-making power over the relevant activities of the investee;
- the rights held by other entities;
- the remuneration the Group is entitled to;
- the Group's exposure to the variability of the returns deriving from any investment held in the investee.

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

- ownership, 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 ownership does not constitute control;
- ownership of half, or less than half, of voting rights that can be exercised at shareholders' meetings and the practical ability to unilaterally govern the relevant activities through: power over more than half of the voting rights by virtue of an agreement with other investors; or the power to determine the financial and operating policies of the entity under a statute or an agreement; or the power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or the power to exercise the majority of voting rights at meetings of the board of directors or equivalent governing body.

In order to exercise this power, the Group's rights over the investee must be substantive; to be substantive, these rights must be practically exercisable when the decisions about relevant activities must be taken.
The existence and effect of potential voting rights, where substantive, are taken into consideration when assessing whether the power to direct the financial and management policies of another entity exists or not.
No situations are recognised in which the Group is in a condition to exercise "de facto control" over an entity which, despite the absence of the majority of voting rights, demonstrates the ownership of rights, even of a non-participatory nature, such as to allow the unidirectional management of the investee's relevant activities.
Under subsidiaries, no "structured entities" are identified in which the voting rights do not represent key elements for the evaluation of control, including therein vehicle companies (SPE/SPV) and investment funds.
As at 31 December 2018, it should be noted that the Group owns the majority of the voting rights in all operating entities subject to line-by-line consolidation.
It should also be pointed out that there are no cases in which:

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

The 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 holds a unilateral right to remove the management company.
In this regard, it is presumed, unless there is evidence to the contrary, that the exposure to the variability of returns is significant if the Group has subscribed at least 30% of the fund's units.

Significant valuations and assumptions for establishing whether joint control or a significant influence exists

Entities for which, on a contractual basis, control is shared between the Group and one or more other entities, or when decisions about the relevant activities require the unanimous consent of all the parties sharing control, are considered joint ventures.
An associate is an entity in which the investor exercises a significant influence and which is neither a wholly-owned subsidiary nor a joint venture.
Entities in which the Group holds at least 20% of voting rights (including therein "potential" voting rights) or in which - despite with a lower share of voting rights - has the power to participate in the determination of the financial and management policies by virtue of particular legal links, such as participation in shareholders' agreements, are considered to be companies subject to a significant influence (associates).
Significant influence is presumed to exist when the investor owns, directly or indirectly, at least 20% of the capital of another company, or is able, also through shareholder agreements, to exercise a significant influence through:

- representation in the company's governing body;

- participation in the policy definition process, including therein participation in decisions relating to dividends or other distributions;
- the existence of significant transactions;
- the exchange of managerial personnel;
- the supply of essential technical information.

Any interests exceeding 20% in which the Group exclusively holds equity rights over a portion of the profits from the investments, has no access to the management policies and can exercise governance rights limited to the protection of its own equity interests, are not considered subject to significant influence.

Changes in the consolidation scope

During the year ended 31 December 2018, a number of changes occurred in the consolidation scope. Detailed information on the most significant changes is described below.

Business combinations: acquisition of a business branch by Zaffiro Sanremo S.r.l.

As described above, on 5 March 2018, the special purpose vehicle specifically set up by Zaffiro Sanremo S.r.l., 100% controlled by Gruppo Zaffiro S.r.l., acquired a business branch related to an already operational nursing home located in Sanremo. The purchase price was EUR 1.2 million and included a deferred component of EUR 0.5 million, the payment of which is subject to compliance with certain conditions agreed with the selling party.

The acquisition led to the initial recognition of goodwill of EUR 0.5 million.

In order to provide adequate information, details of the net assets acquired as at the reporting date of 5 March 2018 and the related calculation of goodwill emerging in the consolidated financial statements of the Mittel Group are as follows.

Statement of financial position of Zaffiro Sanremo as at 05 March 2018

Amounts in thousands of Eu

Intangible assets	110
Property, plant and equipment	593
Total non-current assets	**703**
Inventories	9
Total current assets	**9**
Provisions for personnel	(42)
Total non-current liabilities	**(42)**
Net assets(liabilities)	**670**
Baseline price transferred with immediate settlement	658
Baseline price with deferred settlement	500
Fair value of the cost of the business combination as at the acquisition date	**1.158**
Goodwill from the business combination	**487**

A breakdown is provided below of the liquidity used directly for the acquisition and for associated transactions:

Cash connected to business combinations:	
Amount paid in cash	(658)
Costs associated with the acquisition	(42)
Cash and cash equivalents acquired	-
Net liquidity used for the acquisition	**(700)**

The process of accounting for the combination could theoretically undergo changes in the event of an adjustment to the fair value of the assets and liabilities acquired and will be completed within 12 months of the date of acquisition, in accordance with IFRS 3 and IAS 36.

Business combinations: acquisition of Villa Gisella S.r.l. by Zaffiro Firenze S.r.l.

As previously discussed, on 15 December 2018 the special purpose vehicle Zaffiro Firenze S.r.l., 100% controlled by Gruppo Zaffiro S.r.l., acquired 100% of the share capital of Villa Gisella S.r.l., which owns a nursing home already in operation in Florence. The price of the acquisition was EUR 12.9 million.

The acquisition led to the initial recognition of goodwill of EUR 3.0 million.

In order to provide adequate information, details of the net assets acquired as at the reporting date of 15 December 2018 and the related calculation of goodwill emerging in the consolidated financial statements of the Mittel Group are as follows.

Statement of financial position of Villa Gisella as at 15 December 2018

Amounts in thousands of Eur

Intangible assets	3
Property, plant and equipment	17.790
Sundry receivables and other assets	1
Deferred tax assets	206
Total non-current assets	**18.000**
Inventories	26
Current tax assets	46
Sundry receivables and other assets	992
Cash and cash equivalents	98
Total current assets	**1.163**
Provisions for personnel	(221)
Deferred tax liabilities	(1.565)
Total non-current liabilities	**(1.786)**
Financial payables	(5.726)
Sundry payables and other liabilities	(1.758)
Total current liabilities	**(7.485)**
Net assets(liabilities)	**9.892**
Baseline price transferred with immediate settlement	12.871
Baseline price with deferred settlement	-
Fair value of the cost of the business combination as at the acquisition date	**12.871**
Goodwill from the business combination	**2.979**

A breakdown is provided below of the liquidity used directly for the acquisition and for associated transactions:

Cash connected to business combinations:	
Amount paid in cash	(12.871)
Costs associated with the acquisition	(178)
Cash and cash equivalents acquired	98
Net liquidity used for the acquisition	**(12.951)**

The process of accounting for the combination could theoretically undergo changes in the event of an adjustment to the fair value of the assets and liabilities acquired and will be completed within 12 months of the date of acquisition, in accordance with IFRS 3 and IAS 36.

Additional information on the subsidiaries with significant non-controlling interests

With reference to the information required by IFRS 12, for each of the subsidiaries with significant non-controlling interests a summary is provided below of the economic and financial data of the subsidiary as at 31 December 2018 and the information relating to the share of the interests held by non-controlling shareholders and the percentage of voting rights.
The aforementioned economic and equity data derive from the accounting situations as at 31 December 2018 of the subsidiaries with significant non-controlling interests, appropriately reclassified and adjusted to take account of the period and consolidation entries and, where necessary, to bring them into line with the Group accounting standards for the purpose of the consolidated financial statements as at 31 December 2018.

Equity investments with significant non-controlling interests: accounting information

Amounts in thousands of Euro

Subsidiaries:	**Balder S.r.l.**	**Ghea S.r.l.**	**IMC S.p.A.**	**Ethica&Mittel Debt Advisory S.r.l.**	**Lucianita S.r.l.**	**Earchimede S.p.A.**	**Fashion District Group S.r.l.**	**Parco Mediterraneo S.r.l.**	**Ceramica Cielo S.p.A.**	**Zaffiro Group**
Gross operating margin (EBITDA)	**1.230**	**(44)**	**8.831**	**318**	**(266)**	**(146)**	**(129)**	**(1.334)**	**6.880**	**3.278**
of which:										
Revenue	*3.303*	*0*	*38.754*	*1.520*	*1.484*	*0*	*15*	*0*	*26.347*	*29.889*
Changes in inventories	*491*	*0*	*(183)*	*0*	*(819)*	*0*	*0*	*(1.200)*	*704*	*0*
Costs for purchases	*(2.045)*	*0*	*(20.706)*	*0*	*(47)*	*0*	*0*	*0*	*(8.236)*	*(2.113)*
Costs for services	*(571)*	*(35)*	*(3.851)*	*(385)*	*(46)*	*(136)*	*(107)*	*(46)*	*(6.869)*	*(10.808)*
Personnel costs	*(803)*	*0*	*(5.464)*	*(813)*	*0*	*0*	*(1)*	*0*	*(6.597)*	*(13.441)*
Operating result (EBIT)	**1.042**	**7.192**	**5.035**	**315**	**(286)**	**(146)**	**(72)**	**(1.347)**	**6.057**	**2.485**
of which:										
Amortisation/depreciation	*(187)*	*0*	*(3.761)*	*(4)*	*0*	*0*	*0*	*0*	*(823)*	*(740)*
Allocations	*(1)*	*0*	*(36)*	*0*	*(20)*	*0*	*57*	*(13)*	*0*	*(53)*
Financial income	1	1.064	4	0	0	0	95	1	42	0
Financial expenses	(3)	(158)	(1.493)	(2)	0	0	(0)	(86)	(124)	(6.867)
(Adjustments to)/reversals of impairment losses on financial assets	0	0	0	0	0	421	0	0	(5)	(122)
Profit (loss) before taxes	**1.040**	**8.097**	**3.546**	**313**	**(286)**	**275**	**23**	**(1.432)**	**5.970**	**(4.504)**
Income taxes	(288)	1.651	(1.096)	(93)	326	38	52	43	(1.682)	(825)
Profit (loss) for the year	**752**	**9.748**	**2.451**	**220**	**40**	**313**	**74**	**(1.390)**	**4.288**	**(5.329)**
of which Profit (loss) pertaining to non-controlling interests	188	4.776	613	108	(157)	47	32	(602)	858	(1.332)
Non-current assets	**1.034**	**0**	**40.994**	**0**		**2.780**	**2.006**	**0**	**10.173**	**60.935**
of which:										
Financial receivables	0	0	700	0		0	1.890	0	0	0
Other financial assets	0	0	0	0		2.306	0	0	0	0
Current assets	**2.125**	**25.131**	**20.320**	**62**		**9.816**	**6.508**	**2.505**	**21.036**	**7.844**
of which:										
Inventories	981	0	6.967	0		0	0	2.300	5.309	73
Financial receivables	0	0	0	0		0	0	0	0	0
Cash and cash equivalents	822	25.105	6.550	0		9.279	4.881	113	7.799	1.883
Total assets	**3.159**	**25.131**	**61.314**	**62**		**12.596**	**8.514**	**2.505**	**31.209**	**68.779**
Non-current liabilities	**786**	**0**	**35.216**	**0**		**0**	**589**	**1.903**	**4.179**	**41.900**
of which:										
Financial payables	700	0	29.213	0		0	0	1.890	2.601	38.060
Current liabilities	**762**	**333**	**9.301**	**143**		**150**	**2.040**	**480**	**9.763**	**31.973**
of which:										
Financial payables	0	0	5	0		0	0	0	1.515	8.342
Equity	**1.611**	**24.797**	**16.797**	**583**		**12.446**	**5.885**	**122**	**17.267**	**12.655**
of which attributable to non-controlling interests	***403***	***12.151***	***4.199***	***285***		***1.870***	***2.550***	***53***	***3.453***	***3.164***

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

	Interests in capital of non-controlling interests %	Availability of votes of non-controlling interests % (1)	Profit (loss) pertaining to non-controlling interests	Equity pertaining to non-controlling interests	Dividends distributed to non-controlling interests
Ghea S.r.l.	49,00%	49,00%	1.231	12.151	-
Lucianita S.r.l. *(2)*	-	-	(157)	-	-
Ceramica Cielo S.p.A.	20,00%	20,00%	858	3.453	-
Earchimede S.p.A.	14,99%	14,99%	47	1.870	-
Fashion District Group S.r.l. in liquidation	43,33%	33,34%	32	2.550	-
IMC S.r.l.	25,00%	25,00%	613	4.199	-
Balder S.r.l.	25,00%	0,00%	188	403	-
Parco Mediterraneo S.r.l.	43,33%	0,00%	(602)	53	-
Zaffiro Group	25,00%	25,00%	(1.332)	3.164	-
Ethica&Mittel Debt Advisory S.r.l.	49,00%	49,00%	108	285	-
			985	28.128	-

(1) Availability of voting rights at ordinary shareholders' meetings
(2) Non-controlling interests exclusively present in the first quarter, before the purchase of the relevant shares by MII S.r.l.

With reference to these significant non-controlling interests in subsidiaries, it should be noted that there are no particular rights of protection of non-controlling shareholders that can significantly limit the Group's ability to transfer assets and extinguish liabilities.

The section 'Significant accounting standards and basis of preparation', to which reference should be made, contains an illustration of the criteria and methods of determination of the consolidation scope and the reasons for which an investee is subject to joint control or significant influence.

The consolidated financial statements are prepared on the basis of the accounting situations as at 31 December 2018 drafted by the respective consolidated companies, adjusted, where necessary, in order to align these to the Mittel Group classification criteria and accounting standards compliant with IFRS.

Information on the Consolidated Statement of Financial Position

Non-current assets

4. Intangible assets

Intangible assets amounted to EUR 73.4 million, an increase compared to EUR 68.9 million in the previous year.

The item saw the following changes:

	Goodwill	Trademarks	Plant	Concessions and licences	Other	Total
Values as of 01.01.2018	**67.555.333**	**1.120.694**	**1.105**	**78.053**	**106.734**	**68.861.919**
Changes in the year:						
- acquisitions		6.993		130.184	27.698	**164.875**
- increase due to business combinations	3.466.335				110.000	**3.576.335**
- amortisation			(1.007)	(62.129)	(33.673)	**(96.809)**
- other changes	(3.437.120)	4.300.000				**862.880**
Total changes	**29.215**	**4.306.993**	**(1.007)**	**68.055**	**104.025**	**4.507.281**
Values as at 31.12.2018	**67.584.548**	**5.427.687**	**98**	**146.108**	**210.759**	**73.369.200**

The overall increase in this item of EUR 4.5 million is attributable to:

- EUR 3.0 million for the recognition of goodwill related to the acquisition by Zaffiro Group, on 15 December 2018, of Villa Gisella S.r.l., which owns a long-standing nursing home based in Florence;
- EUR 0.6 million for the purchase of the business branch related to a nursing home in Sanremo, carried out on 5 March 2018 by Zaffiro Sanremo S.r.l., which involved the consolidation of intangible assets for EUR 0.1 million and the recognition of goodwill for EUR 0.5 million;
- EUR 0.9 million for the effects of the completion of the purchase price allocation process (so-called "Purchase Price Allocation" or "PPA") of the business combination related to Ceramica Cielo, carried out in the previous financial year and described in more detail below.

Goodwill at 31 December 2018, amounting to EUR 67.6 million, is attributable to:

- EUR 42.8 million for Zaffiro Group (and its subsidiaries), up EUR 3.5 million in relation to the aforementioned two acquisitions carried out during the year;
- EUR 19.3 million for IMC, unchanged from the previous year;
- EUR 5.6 million for Ceramica Cielo, down from EUR 9.0 million in the previous year due to the completion of the PPA process, which led to the determination of the fair value of the Cielo brand, amounting to EUR 4.3 million, attributable to the Group for EUR 3.4 million (80%), with a consequent reduction by the same amount of the original value of goodwill recognised by the Group at the time of the business combination.

The “Trademarks” item, amounting to EUR 5.4 million, is detailed as follows:

- EUR 4.3 million for the Ceramica Cielo trademark, whose fair value was determined following the completion of the PPA process;
- EUR 1.1 million for the Zaffiro Group brand, already recognised at the end of the previous year upon completion of the related PPA process.

Please note that the purchase of Ceramica Cielo had involved, on the acquisition date (22 June 2017), the provisional recognition of goodwill of EUR 9.0 million.

Figures in thousands of Euro	
Ceramica Cielo - Quota di pertinenza dell'Attivo netto (80%)	**5.609**
Corrispettivo di acquisto	14.600
Fair value del costo dell'aggregazione d'impresa alla data di acquisizione	**14.600**
Avviamento dell'aggregazione d'impresa	**8.991**

As at 31 December 2017, the process of allocating the consideration paid to the assets and liabilities, subject to the business combination, had not yet been completed.

As of 30 June 2018, this process was completed and involved the allocation of an amount of EUR 4.3 million to the company's brand, on the basis of the fair value determined using a market approach. The following table summarises the effects on goodwill from the conclusion of this process.

(Valori in Euro '000)	Grandezze per PPA		
Sintesi processo di allocazione dell'avviamento	**Valore netto contabile al 22/06/2017**	**PPA (plusvalore brand)**	**Valori adjusted per PPA**
Attività/passività nette	**7.011**	**4.300**	**11.311**
Quota di pertinenza di terzi (20%)	1.402	860	2.262
Quota di pertinenza del Gruppo (80%)	**5.609**	**3.440**	**9.049**
Corrispettivo di acquisto dell'80%	14.600		14.600
Avviamento (su quota acquisita dell'80%)	***8.991***	***(3.440)***	***5.551***

At 30 June 2018, as the allocation process to the company's assets/liabilities had been completed, the goodwill recorded from the purchase of Ceramica Cielo was subjected to an impairment test. The results of this test showed the full recoverability of the book values, in the presence of a recoverable value far higher than the book value of the CGU, including the assets with indefinite useful life allocated to the CGU as a result of the business combination. Furthermore, note that in the second half of 2018, the CGU posted markedly positive economic performance. Thus, in light of the impairment test carried out as at 30 June 2018 (envisaged at least annually by IAS 36), and the subsequent confirmation that there were no indicators of impairment, it was not necessary to perform an additional impairment test on the CGU, in accordance with the standard.

With regard to the acquisition transaction by IMC (and its subsidiary Balder), provisional goodwill of EUR 35.5 million was recognised on the acquisition date (27 September 2017).

Amounts in Euro '000	**IMC S.p.A.**	**Balder S.p.A.**	**Total combination**
Net assets (liabilities)	**10.943**	**1.731**	**12.674**
Acquisition payment			48.499
Price adjustment			(330)
Fair value of the cost of the business combination at acquisition date			**48.169**
Goodwill of business combination			**35.495**

As at 31 December 2017, although the transaction had been recognised based on a provisional calculation (in accordance with the provisions of IFRS 3), a substantial part of goodwill, amounting to Euro 22.5 million (value at 27 September 2017 amortised for the last quarter of the year), had already been allocated to property, plant and equipment, represented by the presses owned by the company, whose fair value (greater than the book value by the amount indicated above) was determined based on an estimate of the replacement cost, appropriately adjusted to take into account the life cycle and the residual useful life of the actual assets being measured. This required the allocation of deferred taxes for Euro 6.3 million (value as at 27 September 2017, subject to partial release consistent with the depreciation recognised for the presses) and the resulting maintenance of goodwill not allocated to specific residual assets of EUR 19.3 million.

(Amounts in Euro '000)	Amounts for PPA		
Summary goodwill allocation	**Net book value as at 27.09.2017**	**PPA (surplus for IMC presses)**	**Value as at 27.09.2017 adjusted for PPA**
Property, plant and equipment	3.332	22.519	25.851
Deferred taxes	(13)	(6.283)	(6.296)
Other assets/liabilities	9.356		9.356
Net assets/liabilities	**12.675**	**16.236**	**28.911**
Acquisition payment	48.169		48.169
Goodwill	***35.494***	***(16.236)***	***19.258***

As at 31 December 2018, goodwill resulting from the acquisition transaction was definitively calculated, with no changes compared to the provisional values recorded as at 31 December 2017. In fact, it was not necessary to exercise the right to adjust the provisional values, within twelve months of the acquisition date, following the completion of the initial accounting of the business combination according to the relative reference fair values.

The two legal entities (IMC and Balder) involved in the overall business combination transaction were considered as two cash generating units (CGUs), as they constitute the smallest groups of assets that generate independent cash inflows and also the minimum level at which the planning and internal reporting processes are managed by the Group. Therefore, this is the minimum level at which goodwill can be allocated according to non-arbitrary and monitored criteria. In this specific case, given the low impact of Balder on financial statements, the goodwill was entirely allocated to the CGU represented by IMC, thus the only one for which there is an annual impairment test requirement regardless of whether impairment indicators are identified.

Goodwill impairment test

At 31 December 2018, in consideration of the fact that the CGU represented by Ceramica Cielo had already been subjected to an annual impairment test as at 30 June 2018, the CGUs related to Zaffiro Group and IMC were tested for impairment.

The purpose of the goodwill impairment test was to assess whether the book values at 31 December 2018 were accurate and whether its economically recoverable value, based on the enterprise value (EV), of the identified CGUs may be higher than the book value of the goodwill and net assets of the CGUs.

It should be noted that IAS 36 states that any CGU or group of CGUs to which goodwill may be allocated must represent the lower level at which the company controls goodwill for management purposes. This minimum level coincides, in this case, with the legal entities being acquired, as assets or groups of assets generating cash inflows that are largely independent from cash inflows from other assets or groups of assets cannot be identified within the legal entities.

The "recoverable value" is defined by the accounting standard as the higher of the following:
- the fair value of the asset less costs to sell;
- the value in use.

The value in use of the CGUs subject to impairment testing ("Value in use of the CGU") is determined by means of a "financial method" (the so-called Discounted Cash Flow method), which estimates the present value of future cash flows that the CGU is expected to generate.

According to this financial method, the fundamental value of the business activity is estimated on the basis of an asset side approach, which starts from the estimate of the value of the operating asset (the so-called Enterprise Value core or EV core), obtained as the present value of expected future (net of taxes) unlevered free cash flows (UFCF).

In particular, according to this method, from an asset side perspective, the operating value of a company's business is represented by the value of its typical or operating assets, given by the sum of the present value of the cash flows generated by operations in an explicit projection period and the present value of the company's operating assets at the end of that period (Terminal Value).

The parameters and data used to calculate the Value in Use and the results of the impairment tests carried out are separately shown below for the IMC CGU and the Zaffiro Group CGU.

IMC

Operating cash flows for the explicit projection period (2019-2023)

The cash flows identified in this method are those of an operating nature, destined for remuneration and possible repayment of all risk and debt capital providers.
The estimate of expected cash flows is determined on the basis of projections formalised in the Economic and Financial Plan approved by the administrative body of IMC.
For the purposes of the model used to calculate value in use, the 2019-2023 period has been assumed as the explicit time period for determining cash flows for the CGU, corresponding to the economic and financial projections reported in the Plan.

Terminal Value or residual value ("TV")

The value at the end of the period of analytical forecast of cash flows (the so-called "Terminal Value") was determined, from a prudential standpoint, by exclusively considering a nominal growth factor "g" (corresponding to the expected long-term inflation rate) of the cash outflow for the period of the analytical projection.

Cash flow discounting rate

In determining the value in use, cash flows were discounted to present value at a rate that reflects current market assessments, the time value of money and the specific risks of the asset, appropriately taking into account the long-term nature of the cash flows used in estimating the value in use of the CGU.
The cost of capital is determined net of taxes, in order to be consistent with the discounted cash flows.
In order to discount the operating cash flows, a rate representing the cost of all financial resources used by the company, represented by the Weighted Average Cost of Capital (WACC), was used.

The parameters considered in the WACC estimate are set out below.

- Cost of *equity* – Ke: overall, the *Cost of risk capital* (Ke) identified was **11.0%**, based on the use of the following parameters:
  - The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **3.0%**.
  - The *unlevered beta – β*: also known as "asset beta", identifies the interrelation factor between the effective return on a share and the overall return on the reference market; it measures the volatility of the share with respect 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 under the assumption that the company is free of financial risk and is calculated as an average of the unlevered betas of comparable companies. The unlevered beta was **0.61**.
    This coefficient was recalculated by assuming a financial structure typical of the sector in which the company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 25% was calculated and it was deemed reasonable to assume a *relevered Beta* of **0.84**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated *market risk premium* of **6.0%** was used;
  - From a prudential point of view, an overall specific risk premium/discount of **3%** has been set, which basically qualifies as an additional premium on the cost of equity *("small cap size premium" or "lack of marketability discount")*, in order to reflect the smaller size of the CGUs and the lack of a market listing compared to the comparable panel used to estimate the *Beta*;

- Cost of debt – K*d*: an analysis was carried out of the cost of non-current debt and a long-term sustainable debt cost of **4.1%** was recorded.
  Tax rate – *t*: a corporate income tax rate (IRES) of 24.00% applies.
  By applying a tax rate of 24.00%, the cost of the debt, net of the fiscal consequences, is equal to around 3.15%.

- Leverage ratio – *D/(E+D):* as regards leverage (i.e. the ratio between net financial debt - D - and total sources of financing - D+E - Equity), on the basis of the financial structure at the valuation date, an average market leverage level was assumed. For the purposes of estimating a medium/long-term sustainable leverage ratio (D/E), it is considered reasonable to assume a value of 33.3%, to which corresponds a financial structure coefficient D/(D+E) of **25.0%.**

The WACC discounting rate used for the assessment is therefore **8.4%.**

Results of the impairment test

The result of the impairment analysis, carried out with reference to the Enterprise Value of the CGU compared to the corresponding value of the operating invested capital of the same CGU, is shown in the following table, which summarises the results of the valuation carried out. These results show the full recoverability of the book values, in the presence of a recoverable value (column D) far higher than the book value of the CGU post PPA (column C).

(Valori in Euro '000)	Carrying Amount 31.12.2018			Impairment test 31.12.2018	
Impairment test IMC	**Valore contabile CGU ante PPA (A)**	**PPA (plusvalore presse - netto imposte differite) (B)**	**Valore contabile CGU post PPA A+B=(C)**	**Valore recuperabile (EV) (D)**	**Plusvalore (+) / Impairment loss (-) D-C**
Capitale Investito	***6.412***	***13.644***	***20.056***		
Avviamento		19.258	19.258		
Capitale investito di Gruppo + Avviamento	***6.412***	***32.902***	***39.314***	***51.624***	***12.310***

Sensitivity analysis

Since value in use is determined using estimates and assumptions that may present elements of uncertainty, sensitivity analyses were carried out, as required by IAS/IFRS, to verify the sensitivity of the results obtained to changes in certain parameters and underlying assumptions.

In particular, the impact on the value in use of a change of up to 100 basis points in the discount rate and the reducing to zero of the growth rate g for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 20% lower than those determined for the purposes of the impairment test. However, even in this pessimistic scenario, no cases of impairment would arise for the CGU.

Zaffiro Group

Operating cash flows for the explicit projection period (2019-2023)

The cash flows identified in this method are those of an operating nature, destined for remuneration and possible repayment of all risk and debt capital providers.
The estimate of expected cash flows is determined on the basis of projections formalised in the Economic and Financial Plan approved by the administrative bodies of the companies that are part of the Zaffiro Group CGU that are subject to impairment testing.
For the purposes of the model used to calculate value in use, the 2019-2023 period has been assumed as the explicit time period for determining cash flows for the CGU, corresponding to the economic and financial projections reported in the Plan.

Terminal Value or residual value ("TV")

The value at the end of the period of analytical forecast of cash flows (the so-called "Terminal Value") was determined, from a prudential standpoint, by exclusively considering a nominal growth factor "g" (corresponding to the expected long-term inflation rate) of the cash outflow for the period of the analytical projection.

Cash flow discounting rate

In determining the value in use, cash flows were discounted to present value at a rate that reflects current market assessments, the time value of money and the specific risks of the asset, appropriately taking into account the long-term nature of the cash flows used in estimating the value in use of the CGU.
The cost of capital is determined net of taxes, in order to be consistent with the discounted cash flows.
In order to discount the operating cash flows, a rate representing the cost of all financial resources used by the company, represented by the Weighted Average Cost of Capital (WACC), was used.

The parameters considered in the WACC estimate are set out below.

- Cost of *equity* – K*e*: overall, the *Cost of risk capital* (K*e*) identified was **11.8%**, based on the use of the following parameters:
    - The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **3.0%**.
    - The *unlevered beta – β*: also known as “asset beta”, identifies the interrelation factor between the effective return on a share and the overall return on the reference market; it measures the volatility of the share with respect 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 under the assumption that the company is free of financial risk and is calculated as an average of the unlevered betas of comparable companies. The unlevered beta was **0.7**.
      This coefficient was recalculated by assuming a financial structure typical of the sector in which the company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 33% was calculated and it was deemed reasonable to assume a *relevered Beta* of **0.97**, which was taken into account for the determination of the cost of capital Ke;
    - An estimated *market risk premium* of **6.0%** was used;
    - From a prudential point of view, an overall specific risk premium/discount of **3%** has been set, which basically qualifies as an additional premium on the cost of equity *(“small cap size premium” or “lack of marketability discount”)*, in order to reflect the smaller size of the CGUs and the lack of a market listing compared to the comparable panel used to estimate the *Beta*;

- Cost of debt – K*d*: an analysis was carried out of the cost of non-current debt and a long-term sustainable debt cost of **4.4%** was recorded.
  Tax rate – *t*: a corporate income tax rate (IRES) of 24.00% applies.
  By applying a tax rate of 24.00%, the cost of the debt, net of the fiscal consequences, is equal to around 3.4%.

- Leverage ratio – *D/(E+D):* as regards leverage (i.e. the ratio between net financial debt - D - and total sources of financing - D+E - Equity), on the basis of the financial structure at the valuation date, an average market leverage level was assumed. For the purposes of estimating a medium/long-term sustainable leverage ratio (D/E), it is considered reasonable to assume a value of 50%, to which corresponds a financial structure coefficient D/(D+E) of **33.3%.**

The WACC discounting rate used for the assessment is therefore **9.0%.**

Results of the impairment test

The result of the impairment analysis, carried out with reference to the Enterprise Value of the CGUs compared to the corresponding value of the operating invested capital of the relative CGU, is shown in the following table, which summarises the results of the valuation carried out. These results show the full recoverability of the book values, in the presence of a recoverable value far higher than the book value of the CGU post PPA, for each of the eight CGUs identified at the time of acquisition.

As in the previous year, in addition to the test on the individual CGUs, a second-level impairment test was necessary to verify the recoverability of the overall goodwill recognised by the entire entity subject to the business combination.
This test required the identification of all "corporate assets" that were not allocated to the CGUs that make up the "core" economic activities (in this case, mainly referring to the brand, to which a portion of goodwill was allocated) and the "corporate costs" that cannot be allocated to the individual CGUs, which, in this specific case, are represented by the costs of the Zaffiro Group structure.
To consider the recoverable value of structure costs (operating and personnel costs of the sub-holding Gruppo Zaffiro S.r.l.), these were estimated with absolute prudence and in perpetuity, using the same time horizon and the same parameters described for the test on the individual CGUs.
The following table summarises the results of the impairment test performed.

(Valori in Euro '000)	Carrying Amount 31.12.2018			Impairment test 31.12.2018	
Impairment test Gruppo Zaffiro	**Capitale investito (A)**	**Avviamento (B)**	**Valore contabile A+B=(C)**	**Valore recuperabile (EV) 31.12.2017 (D)**	**Plusvalore (+) / Impairment loss (-) D-C**
Totale CGU	(1.501)	39.307	37.806	67.723	29.918
Gruppo Zaffiro	173	1.100	1.273	(12.500)	(13.773)
Totale settore RSA	***(1.328)***	***40.407***	***39.079***	***55.223***	***16.144***

Finally, in relation to the two additional business combination transactions carried out by the Group in the Nursing Home sector in 2018 (acquisition of a business unit by the special purpose vehicle Gruppo Zaffiro S.r.l. and acquisition of Villa Gisella S.r.l. by the special purpose vehicle Zaffiro Firenze S.r.l.), despite the recent acquisition and the resulting provisional accounting in the financial statements as at 31 December 2018, it was in any case considered that the two acquired units could already be tested for impairment, for which: (i) no specific PPA issues were initially identified; (ii) the nature of distinct CGUs is already clear, and (iii) reliable economic-financial plans are already available for estimating the recoverable value.
The results of the preliminary impairment analysis carried out on these two additional CGUs in the Nursing Home sector have shown the full recoverability of the recorded accounting values (including the provisionally recognised goodwill).

Sensitivity analysis

Since value in use is determined using estimates and assumptions that may present elements of uncertainty, sensitivity analyses were carried out, as required by IAS/IFRS, to verify the sensitivity of the results obtained to changes in certain parameters and underlying assumptions.

In particular, the impact on the value in use of a change of up to 100 basis points in the discount rate and the reducing to zero of the growth rate g for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 20% lower than those determined for the purposes of the impairment test. However, even in this pessimistic scenario, no cases of impairment would arise for either the entire Group or the individual CGUs.

5. Property, plant and equipment

This item amounted to EUR 46.9 million, up by EUR 3.0 million compared to 31 December 2017. More specifically, the item saw the following changes:

	Land and buildings	Investment property	Plant and machinery	Office machines and equipment	Other assets	Total

Values as of 01.01.2018	**14.603.469**		**26.690.376**	**1.141.543**	**1.479.492**	**43.914.880**
Changes in the year:						
- acquisitions	4.313.288		1.476.064	1.382.389	812.874	**7.984.615**
- increase due to business combinations	17.750.000		16.191	616.956		**18.383.147**
- disposals				(1.752)	(12.770)	**(14.522)**
- reclassifications	(17.750.000)					**(17.750.000)**
- amortisation	(322.084)		(4.354.281)	(394.632)	(558.577)	**(5.629.574)**
Total changes	**3.991.204**	**-**	**(2.862.026)**	**1.602.961**	**241.527**	**2.973.666**
Values as at 31.12.2018	**18.594.673**		**23.828.350**	**2.744.504**	**1.721.019**	**46.888.546**

6. Investments accounted for using the equity method

These totalled EUR 6.1 million, down by EUR 49.8 million.

	31.12.2018	31.12.2017
Mittel Generale Investimenti S.r.l.	5.400.000	5.400.000
Bios S.p.A.	-	49.972.031
Mit.Fin S.p.A.	246.560	89.840
Superpartes S.p.A.	474.223	477.138
	6.120.783	**55.939.009**

The change in the item is as follows:

Name/company name	% interest	Values as at 01.01.2018	Purchases	Transfers	Profit/(loss), *pro-rata*	Adjustments to valuation reserve	Other changes	Dividends distributed	Values as at 31.12.2018
Associates									
Direct									
Mittel Generale Investimenti S.r.l.	27,00%	5.400.000	-	-	-	-	-	-	5.400.000
Bios S.p.A.	50,00%	49.972.031	-	(49.150.470)	(821.561)	-	-	-	-
Mit.Fin Compagnia Finanziaria S.p.A.	30,00%	89.840	-	-	156.720	-	-	-	246.560
Via Earchimede S.p.A.			-	-	-	-	-	-	
Superpartes S.p.A.	11,89%	477.139	-	-	(2.915)	-	-	-	474.224
		55.939.009	**-**	**(49.150.470)**	**(667.756)**	**-**	**-**	**-**	**6.120.783**

The primary change over the course of the year was related to the completion of the liquidation of the investee Bios S.p.A., with resulting distribution of final liquidation asset.

Information on companies subject to joint control and associates

The reconciliation between the summary of the economic-financial data presented and the book value of the investments in jointly controlled companies and associates is detailed below:

(Thousands of Euro)	Total equity	*Pro-rata* equity	Goodwill	Other changes	Book value
Companies subject to significant influence:					
Mittel Generale Investimenti S.r.l.	21.624	5.838	-	(438)	**5.400**

Mit.Fin Compagnia Finanziaria S.p.A.	822	246	-	-	**246**
Superpartes S.p.A.	921	110	364	-	**474**
	22.941	**6.194**	**364**	**(438)**	**6.121**
	22.941	**6.194**	**364**	**(438)**	**6.121**

Associates

The income statement and statement of financial position figures as at 31 December 2018 of the associates, adjusted in compliance with IAS/IFRS for application of the equity method for the purposes of preparing the Group consolidated financial statements and the reconciliation between the summary of the economic-financial data presented and the book value of the associates, are detailed below:

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	**5**	**817**	**37.590**
Financial receivables	-	3	35.172
Other financial assets	-	-	-
Current assets	**1.408**	**490**	**2.616**
Cash and cash equivalents	1.348	302	1.706
Total assets	**1.413**	**1.307**	**40.206**
Equity	**822**	**921**	**21.624**
Non-current liabilities	**30**	**78**	**18.356**
Non-current financial payables	-	-	17.399
Current liabilities	**561**	**308**	**225**
Current financial payables	-	2	-
Total equity and liabilities	**1.413**	**1.307**	**40.206**
Gross operating margin (EBITDA)	**638**	**(190)**	**(839)**
Costs for services	(2.448)	(594)	(615)
Operating result (EBIT)	**635**	**(202)**	**(106)**
Amortisation/depreciation	(2)	-	(9)
(Allocations to)/Releases of provisions for risks and charges	-	-	742
Financial income	-	165	2.117
Financial expenses	-	-	(899)
Value adjustments to financial assets	-	0	(2.069)
Profit (loss) before taxes	**635**	**(37)**	**(957)**
Income taxes	(111)	-	35
Profit (loss) for the year (1)	**524**	**(37)**	**(924)**
Other profits/(losses) components net of taxes (2)	-	-	-
Comprehensive profit (loss) (3) = (1) + (2)	**524**	**(37)**	**(924)**

There are no significant restrictions on the capacities of investees subject to significant influence to transfer funds to the investor and particularly significant commitments relating to companies subject to significant influence.

It should be noted that, at present there are no commitments deriving from contractual arrangements, particular events or circumstances that could subject the parent company Mittel S.p.A. and its subsidiaries to providing financial support to associates or non-consolidated structured entities which could determine future cash outflows and obligations from unconditional purchase commitments or unrecognised commitments to grant loans or guarantee any other type of financial support, including the intention to assist investees in obtaining financial assistance.

7. Financial receivables

These amounted to EUR 45.8 million, down by EUR 36 million.

	31.12.2018	**31.12.2017**

Loans	45.600.456	81.575.748
Other receivables	200.000	200.000
Security deposits	-	-
	45.800.456	**81.775.748**

The item “Loans” is composed of outstanding loans for the Parent Company Mittel S.p.A.

The item “Other receivables” comprises a receivable due to Markfactor S.r.l. in liquidation, already subject to impairment in the previous year.

The item “Loans” is composed as follows:

	31.12.2018	31.12.2017
- Loans - financial institutions	9.806.032	10.000.000
- Loans - others	35.794.424	71.575.748
	45.600.456	**81.575.748**

8. Other financial assets

These totalled EUR 17.9 million, down by EUR 7.4 million.

The item is composed as follows:

	31.12.2018	31.12.2017
Financial assets		
Equities and fund units	17.864.891	25.278.533
	17.864.891	**25.278.533**

The item includes equity instruments recorded as financial assets as well as financial assets measured at fair value and is composed as follows:

	31.12.2018	31.12.2017
Equities and fund units:		
Fondo Augusto	12.341.764	12.509.141
Equinox Two S.c.a.	1.313.668	6.336.999
Fondo Cosimo I	1.253.096	2.938.673
SIA - SSB S.p.A.	1.400.000	1.400.000
Opera 2 Partecipations S.C.A.	178.103	178.103
Medinvest International S.A.	426.000	950.800
Investitori Associati II S.A.	849.154	861.711
Other	103.106	103.106
	17.864.891	**25.278.533**

The change in non-current financial assets is broken down as follows:

Name/company name	Values as at 01.01.2018	Purchases and subscriptions	(Recall of funds) Reimbursements	Transfers	Capital gains (losses)	Fair value adjustments	Values as at 31.12.2018
Equities and fund units:							
Fondo Augusto	12.509.141		-	-	-	(167.377)	12.341.764
Equinox Two S.c.a.	6.336.999		(6.110.857)	-	-	1.087.527	1.313.669
Fondo Cosimo I	2.938.673		-	-	-	(1.685.578)	1.253.095
SIA - SSB S.p.A.	1.400.000		-	-	-	-	1.400.000
Opera 2 Partecipations S.C.A.	178.103		-	-	-	-	178.103
Medinvest International S.A.	950.800		(254.450)	-	-	(270.350)	426.000
Investitori Associati II S.A.	861.711		-	-	-	(12.557)	849.154
Other	103.106		-	-	-	-	103.106
	25.278.533	**-**	**(6.365.307)**	**-**	**-**	**(1.048.335)**	**17.864.891**

Reimbursements, amounting to EUR 6.4 million, refer to Equinox Two (EUR 6.1 million) and Medinvest International SA (EUR 0.3 million).

Net decreases from valuation, totalling EUR 1.0 million, are explained by the net effect of the net write-downs of assets owned by the Parent Company for EUR 1.4 million (write-downs for EUR 1.8 million and revaluations for EUR 0.4 million) and net revaluations for EUR 0.4 million recognised by Earchimede S.p.A. (revaluations for EUR 0.7 million and write-downs for EUR 0.3 million).

9. Sundry receivables and other non-current assets

The "Sundry receivables and other non-current assets" item totalled EUR 0.9 million (EUR 0.6 million as at 31 December 2017) and is composed as follows:

	31.12.2018	31.12.2017
Tax receivables	146.258	147.383
Other receivables	474.511	145.599
Other assets	280.261	342.397
	901.030	**635.379**

10. Deferred tax assets

These totalled EUR 4.6 million, up by EUR 4.2 million.

	31.12.2018	31.12.2017
Tax assets recognised through profit or loss	4.526.458	350.679
Tax assets recognised in equity	59.626	72.774
	4.586.084	**423.453**

	31.12.2018	31.12.2017
Deferred tax assets		
Assets/liabilities held for trading	-	-
Investments	-	-
Property, plant and equipment/intangibles assets	81.403	97.926
Allocations	126.413	-
Other assets/liabilities	259.022	325.527
Receivables	-	-
Losses carried forward	4.090.734	-
Other	28.512	-
	4.586.084	**423.453**

Changes in the item "Tax assets recognised through profit or loss" are as follows:

	31.12.2018	31.12.2017
Opening balance	**350.679**	**1.227.482**
Increases	**4.307.255**	**173.141**
Deferred tax assets recorded in the period:	4.101.207	-
- relating to previous years	*4.000.000*	-
- other	*101.207*	-
Increases in tax rates	-	-
Other increases	206.048	173.141
Decreases	**(131.476)**	**(1.049.944)**
Deferred tax assets cancelled in the period:	(78.768)	(1.219.315)
- reversals	*(78.768)*	*(1.219.315)*
Decreases in tax rates	-	-
Other decreases	(52.708)	169.371
	4.526.458	**350.679**

Changes in the item "Tax assets recognised in equity" are as follows:

	31.12.2018	31.12.2017
Opening balance	**72.774**	**28.761**
Increases	**-**	**71.281**
Deferred tax assets recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	71.281
Decreases	**(13.148)**	**(27.268)**
Deferred tax assets cancelled in the period:	-	-
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(13.148)	(27.268)
	59.626	**72.774**

Deferred tax assets are recognised to the extent it is deemed likely that taxable profits will be generated to allow the use of the amount recognised as at 31 December 2018.

Management recorded the deferred tax assets in Group companies up to the value for which it deems their recovery likely, also taking into account a further worsening in the assumptions envisaged over a medium-term period and the fact that the net deferred tax assets allocated refer to temporary differences/tax losses which can be recovered within a time period implicit in the Group’s planning.

Note that, as discussed in detail in other sections of this financial report, deferred tax assets were allocated at 31 December 2018 on the sizeable tax losses that were accrued within the tax consolidation in previous years against latent tax benefits and the significant changes to the Group’s perimeter as a result of the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits.

As at 31 December 2018, residual previous losses that may be used in the tax consolidation amount to EUR 49.3 million, of which EUR 16.7 million measured as deferred tax assets at the end of the year for a carrying amount of EUR 4.0 million (at a 24% tax rate), with a positive effect for that amount on the income statement.

In addition to the tax consolidation losses, Mittel S.p.A. recorded, following the positive response received last year to the query submitted, tax losses of EUR 60 million relating to the merged companies Hopa S.p.A. and Tethys S.p.A. Against these losses, which may not be used in the tax consolidation, as significant taxable income is not expected for Mittel S.p.A., deferred tax assets were not recognised.

For the next few years, it is expected that the acquisitions already made, as well as those planned on the basis of the strategies of the plan currently being implemented, will result in the inclusion within the Group's perimeter of additional highly profitable operating companies with substantial taxable income. The latter situation will also allow, through the inclusion of newly acquired companies in the tax consolidation of Mittel S.p.A., the valuation of additional previous tax losses for the Group, currently not valued.

Current assets

11. Inventories

As at 31 December 2018, the item amounted to EUR 78.3 million, a decrease of EUR 12.4 million compared to the previous year. In particular, the item is composed as follows:

	31.12.2018	31.12.2017
Property inventories	64.816.430	78.321.207
Inventories of goods and products	9.478.301	9.232.735
Inventories of raw materials	3.962.157	3.124.022
	78.256.888	**90.677.964**

Property inventories

As far as property inventories are concerned, see the table below:

	31.12.2018	31.12.2017
Breme S.r.l.		10.100.000
CAD Immobiliare S.r.l.		13.400.000
Fede S.r.l.		6.304.000
Gamma Tre S.r.l.	2.900.000	3.900.000
Iniziative Nord Milano S.r.l.		3.500.001
Lucianita S.r.l.	92.628	911.438
Mittel Investimenti Immobiliari S.r.l.	44.566.542	8.812.016
MiVa S.r.l.	13.757.260	13.299.173
Parco Mediterraneo S.r.l.	2.300.000	3.500.000
Regina S.r.l.	1.200.000	1.551.892
Santarosa S.r.l.		13.042.687
Total	**64.816.430**	**78.321.207**

The change in the “Property inventories” item is as follows:

	31.12.2017	initiative transfer/other	Increase for capitalisation of costs	Decrease for sales	Write-downs	Changes in advances	31.12.2018
Breme S.r.l.	10.100.000	(10.100.000)	-	-	-	-	-
CAD Immobiliare S.r.l.	13.400.000	(13.400.000)	-	-	-	-	-
Fede S.r.l.	6.304.000	(6.304.000)	-	-	-	-	-
Gamma Tre S.r.l.	3.900.000	-	-	-	(1.000.000)	-	2.900.000
Iniziative Nord Milano S.r.l.	3.500.001	(3.500.001)	-	-	-	-	-
Lucianita S.r.l.	911.438	-	44.442	(863.251)	-	-	92.629
Mittel Investimenti Immobiliari S.r.l.	8.812.016	46.234.873	271.859	(10.752.207)	-	-	44.566.541
MiVa S.r.l.	13.299.173	-	87.547	-	-	370.540	13.757.260
Regina S.r.l.	1.551.892	-	-	-	(351.892)	-	1.200.000
Santarosa S.r.l.	13.042.687	(13.042.687)	-	-	-	-	-
Parco Mediterraneo S.r.l.	3.500.000	-	-	-	(1.200.000)	-	2.300.000
Total	**78.321.207**	**(111.815)**	**403.848**	**(11.615.458)**	**(2.551.892)**	**370.540**	**64.816.430**

In order to allow a better analysis of the Group’s property portfolio, in support of the financial statement disclosures, reference is made to the recognition criteria used and to the market values applied.
The property portfolio includes buildable areas, properties under construction, properties completed for sale and properties held for sale. The properties and buildable areas which fall under the property development projects are valued at the lower of the acquisition cost and the corresponding presumed net realisable value. The cost is increased by the incremental expenses and capitalisable financial expenses. Any impairment to the net realisable value is performed on the basis of an appraisal of the individual properties by external experts.

The market value of the property portfolio

Market value means the value determined by appraisals of individual properties, carried out by external experts; the appraisal is conducted at the reporting date. The appraisals make use of information that mainly regards: the time span and the characteristics of the property transaction (area quantification and usage breakdown), amount of expenses and commitments borne by the owners.
More specifically, for "property development" projects, the criteria adopted by the external experts involved the use of the Transformation Method which is based on the discounting, at the estimate date, of the cash flows generated by the property transaction over the period of time corresponding to its duration, by using the appropriate discount rates, the financial components and business risk of the transaction. Given that the cash flows are the result of the difference between revenue and costs, more concisely, the value of the initiative determined using this method may be defined as the difference between the value of the transformed property and the costs incurred for its transformation.
For properties that are available to be appraised in their *de facto* and *de iure* situation without significant structural interventions or changes in use, the Discounted Cash Flow Analysis Method was used. The method is based on the assumption that no rational buyer is willing to pay a price to acquire a property that is higher than the present value of the economic benefits that the asset is able to produce over the course of its useful life. With regards, in particular, to properties subject to valuation, the economic benefits are represented by the cash flows originating from the property's "income generation" and by its subsequent disposal, and therefore by the lease payments (actual and/or potential) of the property, net of management costs and the terminal value of the property.
Finally, the Comparative (or Market) Method was used for the completed properties being sold, which is based on the assumption that no rational buyer is willing to pay a price to acquire a property that is higher than the cost of similar assets that have the same degree of utility. This expression refers to the economic principles of substitution (according to which the value of an asset is determined by the price that must be paid to purchase a perfectly identical asset with the same characteristics of utility and desirability) and of balance between demand and supply (according to which the price of an asset is directly determined by the exchange market and represents the definitive synthesis of the negotiation process in which buyers and sellers participate).
All available information is used for the valuation, taking into consideration factors such as: period for development or income generation, location, age, quality and condition of the buildings (accessibility, surface area, construction type, state of repair, functionality) and payment methods.

As at 31 December 2018, the Group's property portfolio recorded an overall write-down totalling EUR 2.6 million, which is broken down, for the individual subsidiaries to which the specific property initiatives relate, as follows:

Write-downs on portfolio of projects in construction and under development by Group company	**EUR**
Regina S.r.l.	351.892
Gamma Tre S.r.l.	1.000.000
Parco Mediterraneo S.r.l.	1.200.000
	2.551.892

Inventories of raw materials, goods and products

Industrial Group companies contribute to this category of inventories. In particular, the item is broken down as follows:
- EUR 7.0 million for IMC S.p.A.;
- EUR 5.3 million for Ceramica Cielo S.p.A.;
- EUR 1.0 million for Balder S.r.l..

In addition, the industrial warehouse is carefully measured when the reporting is closed, identifying any phenomena of obsolescence or slow- or no-moving goods. As at 31 December 2018, a write-down of EUR 0.1 million is outstanding in the Automotive sector, carried out in the previous year and recalculated in the current year to align the value of inventories with the presumed realisation value.

12. Financial receivables

This item was reduced to zero as at 31 December 2018 (balance of EUR 396 thousand in the previous year).

	31.12.2018	31.12.2017
Loans	-	66.248
Other receivables	-	330.000
Security deposits	-	-
	-	**396.248**

13. Tax assets

As at 31 December 2018, the item amounted to EUR 5.4 million, a decrease of EUR 4 million.

	31.12.2018	31.12.2017
IRES (corporate income tax)	4.549.018	8.111.497
IRAP (regional business tax)	864.480	1.339.177
Other taxes	-	-
	5.413.498	**9.450.674**

The main components of current IRES (corporate income tax) assets include EUR 3.8 million in tax receivables deriving from withholding taxes and advances paid to date by Mittel S.p.A., EUR 446 thousand for Earchimede S.p.A. and EUR 204 thousand for IRES receivables of companies in the property sector.

The IRAP receivable is mainly due to advances paid by Mittel S.p.A. (EUR 641 thousand), IMC S.p.A. (EUR 88 thousand), Balder S.r.l. (EUR 3 thousand), Earchimede S.p.A. (EUR 47.5 thousand), Mittel Advisory S.r.l. (EUR 34.2 thousand), and companies in the Nursing Home sector (EUR 18 thousand).

The item showed the following changes:

	31.12.2018	31.12.2017
Opening balance	**9.411.540**	**10.841.212**
Increases	**215.778**	**1.296.182**
Current tax assets recorded in the period:	**-**	**279.792**
- relating to previous years	-	-
- other	-	279.792
Other increases	215.778	1.016.390
Decreases	**(4.213.820)**	**(2.686.720)**
Current tax assets cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	(4.213.820)	(2.686.720)
	5.413.498	**9.450.674**

14. Sundry receivables and other assets

As at 31 December 2018, the item amounted to EUR 23.2 million, an increase of EUR 0.2 million, and was composed as follows:

	31.12.2018	31.12.2017
Trade receivables	16.824.957	17.504.175
Receivables from leases	-	-
Other tax receivables	2.950.113	2.686.673
Other receivables	2.277.386	2.211.656
Accrued income and prepaid expenses	1.150.118	554.747
	23.202.574	**22.957.251**

The item "Trade receivables" is mainly comprised of receivables due from customers deriving from ordinary operations of Group companies.
Tax receivables refer mainly to VAT receivables for EUR 2.8 million.
The "Other receivables" item is mainly due to the contribution of: (i) the Automotive sector for EUR 0.9 million; (ii) the Nursing Home sector for EUR 0.7 million, (iii) the Design sector for EUR 0.3 million and Mittel S.p.A. for EUR 0.2 million.
The "Accrued income" item is mainly due to the contribution of: (i) the Nursing Home sector for EUR 0.8 million; (ii) the Automotive sector for EUR 0.2 million, and the contribution of the Parent Company for EUR 0.1 million.

15. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 223.8 million (EUR 155.5 million as at 31 December 2017), include cash held by Group companies and investments in bank deposits. The item is composed as follows:

	31.12.2018	31.12.2017
Cash	224.014	74.157
Bank and postal deposits	223.598.277	155.396.826
	223.822.291	**155.470.983**

As regards changes in the item, please refer to the consolidated cash flow statement.

16. Assets held for sale

The item, which did not exist in the previous year, amounts to EUR 19.0 million.

	31.12.2018	31.12.2017
Non-current assets held for sale		
Assets	1.205.825	-
Other non-current assets	17.750.000	
	18.955.825	**-**

The balance refers, for EUR 1.2 million, to the assets of the investee Ethica & Mittel Debt Advisory S.r.l., sold in January 2019, and, for EUR 17.8 million, to the property owned by Villa Gisella S.r.l., on which there is a preliminary sales agreement, which will be carried out in the first half of 2019.

Statement of financial position - Liabilities

Equity

17. Equity pertaining to the Group

Equity pertaining to the Group stood at EUR 221.2 million, a decrease of EUR 2.8 million from 31 December 2017.

The breakdown of Equity pertaining to the Group is shown in the following table:

	31.12.2018	31.12.2017
Share capital	87.907.017	87.907.017
Legal reserve	16.760.462	16.760.462
Treasury shares	(11.178.114)	(21.057.903)
Share/holding premium reserve	53.716.218	53.716.218
Valuation reserves	(539.846)	2.558.628
Other reserves	29.948.359	45.374.577
Profit (loss) of previous years	43.215.224	21.805.666
Profit (loss) for the year	1.323.622	16.850.831
Equity	**221.152.942**	**223.915.496**

Changes in equity during the year are shown in detail in the relative schedule to which reference should be made.

Share capital

Share capital is made up of 87,907,017 ordinary shares with a nominal value of EUR 1.00.

Treasury shares

As at 31 December 2018, the Parent Company held 6,559,649 treasury shares, a decrease of 5,797,753 following the implementation of the decision taken by the Shareholders' Meeting of 26 April 2018, after approving the financial statements at 31 December 2017, to distribute a dividend to shareholders through the assignment of treasury shares.

Valuation reserve

Up to 31 December 2017, the valuation reserve referred mainly to the adjustment to fair value, net of related tax effects, of financial assets classified as available-for-sale until that date, in accordance with IAS 39. On 1 January 2018, as a result of the first-time adoption of IFRS 9, which required the Group to classify the entire portfolio of non-current financial assets within the category of financial assets at fair value through profit or loss, the reserve was reduced to zero, with a balancing entry in a reserve for the first-time adoption of the new standard.

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

Amounts in thousands of Euro

VALUATION RESERVE AT FAIR VALUE	Valuation reserve pertaining to the Group as at 01.01.2018	Effects of the first-time adoption of IFRS 9	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 impairment	Valuation reserve pertaining to the Group as at 31.12.2018	Share pertaining to non-controlling interests as at 31.12.2018	Total valuation reserve as at 31.12.2018
			Increases	Decreases					
Financial assets:									
Fondo Cosimo I	94	(94)	-	-	-	-	-	-	-
SIA - SSB SpA	1.168	(1.168)	-	-	-	-	-	-	-
Equinox SCA (Mittel share)	522	(522)	-	-	-	-	-	-	-
Equinox SCA (Earchimede share)	812	(812)	-	-	-	-	-	-	-
Investitori Associati II SA (in liquidation)	425	(425)	-	-	-	-	-	-	-
Total	**3.021**	**(3.021)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-						-		
Cash flow hedge reserve									
Hedging derivatives	(66)	-	(89)		-	-	(155)	(51)	(206)
Total	**(66)**	**-**	**(89)**	**-**	**-**	**-**	**(155)**	**(51)**	**(206)**
Employee defined benefit plans (IAS 19 revised):									
Actuarial reserve	(396)		11			-	(385)	(80)	(465)
	(396)	**-**	**11**	**-**	**-**	**-**	**(385)**	**(80)**	**(465)**
	2.559	**(3.021)**	**(78)**	**-**	**-**	**-**	**(540)**	**(131)**	**(671)**

Other comprehensive income/(expense)

The value of "Other comprehensive income (expense)" is composed as follows:

	01.01.2018 31.12.2018	01.10.2016 31.12.2017	Non-controlling interests 01.01.2018 31.12.2018	Non-controlling interests 01.10.2016 31.12.2017	Profit (loss) pertaining to the Group 01.01.2018 31.12.2018	Profit (loss) pertaining to the Group 01.10.2016 31.12.2017
Profit/(loss) for the year (A)	**2.308.300**	**15.167.278**	**984.678**	**(1.683.553)**	**1.323.622**	**16.850.831**
Effective part of the cash flow hedge instruments	(119.299)	(78.483)	(29.706)	(19.483)	(89.593)	(59.000)
Profits/(losses) from the redetermination of available-for-sale financial assets	(3.253.693)	16.471	(218.090)	66.490	(3.035.603)	(50.019)
Profits/(losses) from the transfer of available-for-sale financial assets	-	(2.266.043)	-	-	-	(2.266.043)
Release to the income statement of losses for fair value impairment on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies valued using the equity method	-	(43.266.362)	-	-	-	(43.266.362)
Profits/(losses) from remeasurement of defined benefit plans	48.213	(59.392)	21.073	(37.599)	27.140	(21.793)
Tax effect relating to other profits/(losses)	(5.433)	197.188	(5.013)	10.040	(420)	187.148
Total other income/(expense), net of taxes (B)	**(3.330.212)**	**(45.456.621)**	**(231.736)**	**19.466**	**(3.098.476)**	**(45.476.087)**
Total comprehensive income/(expense) (A) + (B)	**(1.021.912)**	**(30.289.343)**	**752.942**	**(1.664.087)**	**(1.774.854)**	**(28.625.256)**

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

	01.01.2018 31.12.2018 Gross value	01.01.2018 31.12.2018 Tax expense/benefit	01.01.2018 31.12.2018 Net value	01.10.2016 31.12.2017 Gross value	01.10.2016 31.12.2017 Tax expense/benefit	01.10.2016 31.12.2017 Net value
Effective part of the cash flow hedge instruments	(119.299)	-	(119.299)	(78.483)	-	(78.483)
Profits/(losses) from the redetermination of available-for-sale financial assets	(3.253.693)	14.918	(3.238.775)	16.471	183.635	200.106
Profits/(losses) from the transfer of available-for-sale financial assets	-	-	-	(2.266.043)	-	(2.266.043)
Release to the income statement of losses for fair value impairment on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies valued using the equity method	-	-	-	(43.266.362)	-	(43.266.362)
Profits/(losses) from remeasurement of defined benefit plans	48.213	(20.351)	27.862	(59.392)	13.553	(45.839)
Other components of the statement of comprehensive income reclassified to the income statement						-
Total other profits/(losses)	**(3.324.779)**	**(5.433)**	**(3.330.212)**	**(45.653.809)**	**197.188**	**(45.456.621)**

18. Non-controlling interests

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

	31.12.2018	31.12.2017
Share capital pertaining to non-controlling interests	9.298.852	11.178.544
Treasury shares pertaining to non-controlling interests	-	-
Other reserves pertaining to non-controlling interests	17.975.955	13.622.813
Non-controlling interests - Valuation reserve for available-for-sale assets	-	218.090
Non-controlling interests - Cash flow hedge reserve	(50.838)	(21.131)
Non-controlling interests - Valuation reserve IAS 19	(80.301)	(96.364)
Profit (loss) for the period pertaining to non-controlling interests	984.678	(1.683.553)
Equity pertaining to non-controlling interests	**28.128.346**	**23.218.399**

Non-current liabilities

19. Bonds

The item "Bond issue", recognised under current and non-current liabilities, for the respective shares falling due, was composed as follows:

	31.12.2018	31.12.2017
Current portion	44.844.360	3.072.363
Non-current portion	129.255.667	173.023.311
	174.100.027	**176.095.674**

As at 31 December 2018, there were two separate bond issues in place, both listed on the MOT (screen-based bond market):

- "Mittel S.p.A. 2013-2019" loan: a bond at a fixed interest rate of 6.00%, with maturity on 14 July 2019 and half-yearly coupon payment, represented by a residual 47,432,573 bonds with a nominal value of EUR 0.88, for an overall nominal value of EUR 41,740,664;
- "Mittel S.p.A. 2017-2023" loan: a bond with a fixed interest rate of 3.75%, with maturity on 27 July 2023 and half-yearly coupon payment, represented by 144,709,182 bonds with a nominal value of EUR 0.895, for an overall nominal value of EUR 129,514,718.

As at 31 December 2018, the book value of the liability for bonds breaks down as follows:

	31.12.2018	31.12.2017
“Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%		
Current portion	2.089.090	2.089.090
Non-current portion	129.255.667	129.205.282
Total "Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%	**131.344.757**	**131.294.372**
“Mittel S.p.A. 2013-2019" bonds, fixed rate 6%		
Current portion	42.755.270	983.273
Non-current portion	-	43.818.029
Total "Mittel S.p.A. 2013-2019" bonds, fixed rate 6%	**42.755.270**	**44.801.302**
Total bonds	***174.100.027***	***176.095.674***

The table below shows the differentials between the face values of each bond issue (including the coupon accrued at 31 December 2018) and the book values of the same. This difference is due to the application of the amortised cost method. The differentials shown provide the residual measure of capitalised costs on liabilities that will be recognised as financial expenses in subsequent years at the effective interest rate, as required by IFRS 9.

	31.12.2018	31.12.2017
Current portion		
"Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (coupon in the process of maturity)	1.180.174	983.273
“Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (repayment value at maturity)	41.740.664	
Non-current portion		
“Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (repayment value at maturity)		44.307.976
Total nominal repayment	**42.920.838**	**45.291.249**
Measurement at amortised cost	(165.568)	(489.947)
Total book value	**42.755.270**	**44.801.302**

	31.12.2018	31.12.2017
Current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75% (coupon in the process of maturity)	2.089.090	2.089.090
Non-current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75% (repayment value at maturity)	129.514.718	129.514.718
Total nominal repayment	**131.603.808**	**131.603.808**
Measurement at amortised cost	(259.051)	(309.436)
Total book value	**131.344.757**	**131.294.372**

During the year, and in particular starting from June, Mittel S.p.A. carried out several repurchase transactions on the market for the 2013-2019 loan, for a total quantity of securities equal to 2,917,400 (total nominal value of EUR 2,567 thousand), at a purchase value, including the accrual in progress, of EUR 2,690 thousand, a value slightly higher than the book value, equal to EUR 2,186 thousand.

The fair value at 31 December 2018 of the bond issues is as follows:

- for the 2013-2019 bond, EUR 0.89298 per security (101.475 on a 100 basis), for a total market value of EUR 42,356,339;
- for the 2017-2023 bond, EUR 0.903055 per security (100.90 on a 100 basis), for a total market value of EUR 130,680,350.

Prospectuses and regulations for the two outstanding bond issues are available on the website www.mittel.it, in the “Investor Relations” section.

The 2017-2023 loan requires that, after 36 months from 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 value to be repaid plus an amount equal to half of the coupon, between the expiry of the third year (excluded) and the expiry of the fourth year (included);
- equal to the nominal value to be repaid plus an amount equal to a quarter of the coupon between the expiry of the fourth year (excluded) and the expiry of the fifth year (included);
- equal to the nominal value after the expiry of the fifth year (excluded).

20. Financial payables

As at 31 December 2018, the item amounted to EUR 55.2 million, an increase of EUR 4.3 million over the previous year.

The item is composed as follows:

	31.12.2018	31.12.2017
Bank loans	47.084.329	40.769.435
Other loans	1.896.109	1.780.633
Financial lease payables	5.464.907	5.958.742
Other financial payables	716.407	2.432.981
	55.161.752	**50.941.791**

The main contributions to the "Bank loans" item are as follows: IMC S.p.A. for EUR 21.6 million, the Nursing Home sector for EUR 18.8 million, Mittel Design S.r.l. for EUR 4.2 million and Ceramica Cielo S.p.A. for EUR 2.4 million.
The "Other loans" item consists of the loan from the third party shareholder of IMC S.p.A., represented by the selling party of the company, which reinvested in the vehicle Mittel Automotive S.r.l. with a 25% interest, also participating proportionally in the share of the equity of the company financed with shareholders' debt. The debt was transferred to IMC as a result of the reverse merger through incorporation of Mittel Automotive into IMC, which was completed in December 2017.
The "Financial lease payables" item is composed of the residual debt of Zaffiro Sviluppo S.r.l., relating to the purchase of the Rivignano nursing home (carried out through a financial lease).
Other financial payables consist of (i) payables for financial leasing operations of Ceramica Cielo S.p.A. for EUR 0.2 million and (ii) of Zaffiro Sanremo S.r.l., for EUR 0.5 million.

21. Other financial liabilities

As at 31 December 2018, the item amounted to EUR 0.2 million (EUR 7.6 million as at 31 December 2017).

	31.12.2018	31.12.2017
Derivative financial instruments	210.248	90.196
Other financial liabilities	-	7.460.000
	210.248	**7.550.196**

The item "Derivative financial instruments" consists of the contribution from Gruppo Zaffiro S.r.l. for EUR 99 thousand, from IMC S.p.A. for EUR 94 thousand, and from Ceramica Cielo S.p.A. for EUR 18 thousand.

22. Provisions for personnel

As at 31 December 2018, the item amounted to EUR 5.3 million, an increase of EUR 0.5 million, and was composed as follows:

	31.12.2018	31.12.2017
Employee severance indemnity	5.283.966	4.772.042
Other allowances	44.013	15.373
	5.327.979	**4.787.415**

Changes in employee severance indemnity in the year were as follows:

	31.12.2018	31.12.2017
Opening balances	**4.772.042**	**1.429.528**
Increases:		
- Allocation for the period	1.514.123	1.278.687
- Increase due to business combination	263.319	3.223.886
- Other increases	18.548	60.368
Decreases:		
- Utilisations	(441.924)	(703.056)
- Other decreases	(842.142)	(517.371)
	5.283.966	**4.772.042**

The valuation was performed on the basis of IAS 19, given that Employee Severance Indemnity is similar to a “post-employment benefit” of the “defined benefit plan” type, whose amount already accrued must be projected to the future to estimate the amount to be paid when the employment relationship ends and must then be discounted, using the “Projected unit credit method”, to take account of the time that will elapse before the actual payment.

The actuarial assumptions adopted refer to:

a) assumptions regarding the causes of exit from the Group: death, total and permanent disability, staff turnover, such as resignations, dismissals and retirement due to seniority and old age;

b) economic and financial assumptions: rate of discounting of future services; salary growth curve, which determines the trend in remuneration; annual inflation and the rate of return recognised annually on accrued employee severance indemnity;

c) additional assumptions were formulated on the frequency of advances on employee severance indemnity, on tax withholdings and, on the whole, on the legislation in force.

All assumptions used in the valuations, given the small sample size of the community in question, were based on market experiences, and reflect the current corporate, legislative and existing market conditions at the valuation date, on a going-concern basis.

AA-rated EUR Composite rates were used for discounting.

As regards the quantification of employee severance indemnity, governed by art. 2120 of the Italian Civil Code, a portion of 7.41% of the amount of projected remuneration was calculated for each year of service, valid for employee severance indemnity purposes and due for the same year. From the amount thus obtained, 0.5% was subtracted for the financing of the employee severance indemnity (TFR) guarantee fund established at INPS (National Social Security Institute).
The amount of salary projected in future years has been estimated, for each employee, annually increasing the salary of the year to which the valuation refers, valid for employee severance indemnity purposes, based

on the projected inflation rate (1.5% for 2018 and steady at 2% for 2019 and beyond) and other contractual increases. The projections also take account of any employee severance indemnity additions, communicated by the Parent Company.
For revaluation purposes, with the exclusion of the portion accrued in the year, employee severance indemnity is increased each year through the application of a rate with a fixed component of 1.50% and a variable component of 75% of the projected inflation rate. Substitute income tax of 17% is applied on annual returns (this rate was raised from 11% to 17% due to the legislative amendment pursuant to art. 1, paragraph 623 of Law no. 190 of 23 December 2014 – 'Stability Law').
For each of the basic assumptions, an analysis was performed of the effect on the results of actuarial evaluations of a 10% increase or decrease in said amount. One amount was varied at a time, without prejudice to all other amounts.

23. Deferred tax liabilities

These amounted to EUR 7.0 million and include deferred taxes calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

The item is composed as follows:

	31.12.2018	31.12.2017
Tax liabilities recognised through profit or loss	6.967.650	10.164.885
Tax liabilities recognised in equity	73.478	57.279
	7.041.128	**10.222.164**

	31.12.2018	31.12.2017
Deferred liabilities		
Receivables	18.373	1.939.796
Assets/liabilities held for sale	22.467	22.467
Property, plant and equipment/intangibles assets	6.265.217	7.908.882
Other assets/liabilities	735.071	351.019
	7.041.128	**10.222.164**

This item is primarily broken down into: (i) EUR 5.3 million from the contribution of IMC S.p.A., and (ii) EUR 1.6 million from companies in the Nursing Home sector.

Changes in the item "Tax liabilities recognised through profit or loss" are as follows:

	31.12.2018	31.12.2017
Opening balance	**10.164.885**	**6.540.866**
Increases	**1.565.025**	**9.002.785**
Deferred taxes recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	1.565.025	9.002.785
Decreases	**(4.762.260)**	**(5.378.766)**
Deferred taxes cancelled in the period:	(4.716.375)	(5.378.766)
- reversals	*(4.716.375)*	*(5.378.766)*
Decreases in tax rates	-	-
Other decreases	(45.885)	-
	6.967.650	**10.164.885**

Changes in the item "Tax liabilities recognised in equity" are as follows:

	31.12.2018	31.12.2017
Opening balance	**57.279**	**2.954.203**
Increases	**16.199**	**33.124**
Deferred taxes recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	16.199	33.124
Decreases	**-**	**(2.930.048)**
Deferred taxes cancelled in the period:	-	-
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	-	(2.930.048)
	73.478	**57.279**

24. Provisions for risks and charges

As at 31 December 2018, the item amounted to EUR 1.5 million, a decrease of EUR 0.8 million, and was composed as follows:

	31.12.2018	31.12.2017
Provision for risks:		
Legal disputes	897.861	1.413.927
Other disputes	566.416	643.314
Other provisions:		
Other	41.385	224.528
	1.505.662	**2.281.769**

The item saw the following changes:

	31.12.2018	31.12.2017
Opening balance	**2.262.371**	**1.755.853**
Increases:		
Allocation for the period	283.763	965.006
Other increases	251.157	128.276
Decreases:		
Utilisations	(1.098.790)	(567.366)
Other decreases	(192.839)	-
	1.505.662	**2.281.769**

The "Provision for risks and charges" item is composed mostly of allocations made by the Parent Company Mittel S.p.A. for EUR 0.5 million, Fashion District Group S.r.l. in liquidation for EUR 0.6 million, the Real Estate sector for EUR 0.2 million, Mittel Advisory S.r.l. for EUR 0.2 million, and Ceramica Cielo S.p.A. for EUR 41 thousand. The provision of the Parent Company Mittel S.p.A. of EUR 0.5 million is attributable to the allocation based on the best estimate of legal costs associated with pending legal disputes (with related risk of the dispute improbable and therefore not subject to allocation, in line with the provisions of IAS 37). The provision for Fashion District Group S.r.l. in liquidation, amounting to EUR 0.6 million, refers to a tax dispute concerning the classification of properties previously held in Molfetta. The provision of the Real Estate sector, EUR 0.2 million, refers to the provision for risks set aside to cover a dispute with Lucianita S.r.l., for which an unfavourable judgement for the company was handed down in the first instance.

25. Sundry payables and other non-current liabilities

These amounted to EUR 0.2 million (EUR 0.1 million as at 31 December 2017) and mainly refer to advances and earnest money received as a result of the sale of the residential units of the Real Estate sector.

Current liabilities

26. Bonds

This item amounts to EUR 44.8 million and refers to the principal amount of the "Mittel S.p.A. 2013-2019", fixed rate 6% loan which will be due in July 2019 and the interest accrued in the period between the coupon registration date of the bond issue to 31 December 2018, as detailed in note 19.

27. Financial payables

The item totalled EUR 10.7 million, down by EUR 11.7 million.

The item is composed as follows:

	31.12.2018	31.12.2017
Bank loans	754.567	13.260.502
Current portion of medium/long-term bank loans	8.775.651	9.059.205
Other loans	96.937	85.987
Other financial payables	1.041.825	8.214
	10.668.980	**22.413.908**

Bank loans are composed of hot money or other short-term credit facilities granted by leading banks, regulated at rates indexed to the 1-3 month Euribor with short-term expiry, of which EUR 0.7 million refers to companies in the Nursing Home sector.

The "Current portion of medium/long-term bank loans" item mainly includes EUR 6.6 million for the companies of the Nursing Home sector, EUR 0.7 million for Mittel Design S.r.l., and EUR 1.4 million for Ceramica Cielo S.p.A.

The item "Other loans" included solely the contribution from Ceramica Cielo S.p.A.

The item "Other current financial payables" included solely the contribution from companies in the Nursing Home sector.

28. Other current financial liabilities

	31.12.2018	31.12.2017
Derivative financial instruments		
Other financial liabilities	13.200.000	
	13.200.000	**-**

The item, equivalent to EUR 13.2 million, refers to the contribution from Gruppo Zaffiro S.r.l. for the alignment of the earn-out liability that was originally allocated at the time of acquisition to the maximum amount envisaged in the contract, although pending an effective determination, that may occur later, as the result of a process to calculate the 2018 adjusted profit margins of the acquired Group and the verification, including in reference to future periods, of additional contractual elements that are envisaged.

29. Current tax liabilities

This item totalled EUR 0.1 million, down EUR 1.5 million from the prior year, and is composed of tax liabilities broken down as follows:

	31.12.2018	31.12.2017
IRES (corporate income tax)	3.841	661.439
IRAP (regional business tax)	133.602	964.783
	137.443	**1.626.222**

	31.12.2018	31.12.2017
Opening balance	**1.626.222**	**12.660**
Increases	**32.496**	**1.625.669**
Current tax liabilities recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Other increases	32.496	1.625.669
Decreases	**(1.521.275)**	**(12.107)**
Current tax liabilities cancelled in the period:	-	-
- reimbursements	-	-
Other decreases	(1.521.275)	(12.107)
	137.443	**1.626.222**

The item mainly consists of the contribution of Ceramica Cielo S.r.l. (EUR 56 thousand), companies in the Nursing Home sector (EUR 67 thousand), and Markfactor S.r.l. in liquidation (EUR 13 thousand).

30. Sundry payables and other liabilities

This item amounted to EUR 27.9 million, down by EUR 4.7 million compared to the previous year. The item is composed as follows:

	31.12.2018	31.12.2017
Trade payables	17.408.450	16.507.034
Tax payables	1.855.048	1.108.945
Payables relating to employees	3.089.018	2.794.253
Payables due to directors and statutory auditors	612.976	1.236.944
Payables due to social security institutions	1.672.196	1.305.782
Other payables	2.541.473	9.060.289
Accrued expenses and deferred income	671.344	575.004
	27.850.505	**32.588.251**

The “Trade payables" item mainly includes: EUR 5.3 million in payables recorded by IMC S.p.A., EUR 5.5 million for payables of Ceramica Cielo S.p.A., EUR 2.0 million for the Parent Company Mittel, EUR 0.4 million for Balder S.r.l., EUR 3.6 million for companies in the Nursing Home sector, EUR 0.3 million for companies in the Real Estate sector, and EUR 0.2 million for Mittel Advisory S.r.l.

The “Other payables” item is mainly explained by:
(i) EUR 1.3 million for advances from customers received by IMC S.p.A.;
(ii) EUR 0.9 million from the contribution of companies in the Nursing Home sector (including advances from customers for EUR 0.5 million);
(iii) EUR 0.2 million from advances and earnest money received by the real estate companies.

The change from the previous year is mainly due to the elimination of an entry in the prior year that contributed EUR 6.7 million to the item. This entry was eliminated as a result of the favourable judgement that was handed down for the tax dispute that had arisen in previous years for a prior investee, for which a contractual guarantee had been issued at the time it was sold; the guarantee resulted in a payment by Mittel at the time of the initial unfavourable judgement; as a result of the subsequent positive outcome of the dispute, in July 2018 the total preliminary amounts repaid by the Italian Revenue Agency, equal to EUR 8.5 million (of which EUR 6.7 million in the previous year and EUR 1.8 million in June 2018), which, until 30 June 2018, had been deferred in the statement of financial position in a liability item, were then recognised as income in the income statement.

31. Liabilities held for sale

This item refers entirely to Ethica & Mittel Debt Advisory S.r.l., held for sale as at 31 December 2018 and effectively sold in January 2019.

	31.12.2018	31.12.2017
Groups of liabilities held for sale		
Liabilities	542.096	
Other financial liabilities		
Employee severance indemnity		
	542.096	**-**

32. Revenue

The breakdown of revenue is shown below, with the main types highlighted:

	31.12.2018	31.12.2017
Revenue from property sales	13.342.250	15.881.719
Revenue from rent	244.859	346.803
Revenue from provision of services	24.043.660	22.995.159
Other revenue	76.293.737	31.410.193
	113.924.506	**70.633.874**

The "Revenue from property sales" item refers to revenue from sales of property inventories. In particular, the item is composed of the contribution made by Lucianita S.r.l. for EUR 1.5 million (EUR 3.1 million as at 31 December 2017), Mittel Investimenti Immobiliari for EUR 11.9 million (EUR 2.7 million as at 31 December 2017), and the increase due to the merger of the companies Breme, Fede, Iniziative Nord, Cad Immobiliare and Santarosa into Mittel Investimenti Immobiliari S.r.l., which took place in October 2018.

The item "Revenue from rent" relates primarily to revenues from lease agreements of real estate companies in the Group for EUR 231 thousand.

Revenue from provision of services refer to services provided by companies in the Nursing Home sector (EUR 22.5 million), consulting services provided by Ethica & Mittel Debt Advisory S.r.l. (EUR 1.5 million), and charges for outsourced direct debit, administrative and IT services made by the Parent Company Mittel S.p.A. (EUR 0.1 million).

The item "Other revenue" includes EUR 42.1 million for the Automotive sector, EUR 26.3 million for Ceramica Cielo S.p.A., EUR 7.4 million for revenue earned by companies in the Nursing Home sector for contributions reimbursed by local healthcare providers, and EUR 0.5 million for consulting services provided by Mittel Advisory S.r.l.

Note that, effective from 1 January 2018, the Group adopted the new IFRS 15 accounting standard for the accounting treatment of revenue, as better detailed in note 2.3, to which reference should be made for more information. Given the nature of the revenue earned by the Group, the adoption of the new standard did not require any adjustments in the manner and timing of accounting for revenue within the Group and therefore did not have an impact on the consolidated financial statements.

As required by the new standard, the following table provides a breakdown of revenues from contracts with customers, using in particular the reference geographic market as the driver of the disaggregation. Moreover, a reconciliation is provided of disaggregated revenues with the Group's operating sectors for reporting purposes.

Geographic market	Operating sector						Total
	Automotive	Nursing lomes	Design	Real Estate	Advisory	Investments	
Italy	7.872.262	29.889.278	18.367.699	13.593.956	1.939.671	97.291	71.760.157
Abroad	34.185.051	-	7.979.298	-	-	-	42.164.349
	42.057.313	**29.889.278**	**26.346.997**	**13.593.956**	**1.939.671**	**97.291**	**113.924.506**

33. Other income

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Recoveries of various expenses	752	177
Extraordinary contingent assets	1.617.992	754.677
Income from elimination of assets	34.501	243.624
Other revenue and income	2.073.757	851.167
	3.727.002	**1.849.645**

The item “Contingent assets” mainly consists of the contribution of companies in the Automotive sector (EUR 0.8 million), Ceramica Cielo S.p.A. (EUR 0.3 million), Mittel S.p.A. (EUR 0.2 million), companies in the Real Estate sector (EUR 0.1 million), and Fashion District Group S.r.l. in liquidation (EUR 0.1 million).

The “Income from elimination of assets” item is principally due to the disposal of property, plant and equipment by IMC S.p.A.

The “Other revenue and income” item is mainly composed of the contribution of Ceramica Cielo S.p.A. (EUR 1.5 million), from companies in the Automotive sector (EUR 0.4 million), from companies in the Nursing Home sector (EUR 0.1 million), and Mittel S.p.A. (EUR 0.1 million).

34. Changes in inventories

The breakdown of revenue is shown below, with the main types highlighted:

	31.12.2018	31.12.2017
Increases in property inventories	403.848	670.752
Decreases in property inventories	(11.615.458)	(14.087.482)
Impairment losses in property inventories	(2.551.892)	(7.856.786)
Change in inventories of goods and products	156.146	2.625.841
Change in inventories of raw materials	805.741	(30.532)
Write-downs/Revaluations of inventories	50.000	(150.000)
	(12.751.615)	**(18.828.207)**

As regards the changes in items relating to property inventories, see the information set forth in the tables and comments in the corresponding item in the statement of financial position (note 11).
For the changes in goods, products and raw materials items, Ceramica Cielo S.p.A. contributed for EUR 0.7 million, Balder S.r.l. contributed for EUR 0.5 million, and IMC S.p.A. provided a negative contribution of EUR 0.2 million.
Impairment losses/revaluations of inventories is entirely in reference to the contribution of IMC S.p.A.

35. Costs for purchases

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Purchases and property increases	(33.173.423)	(13.208.443)
Provision of services and consultancy	(196.297)	(215.880)
Urbanisation expenses	-	(49.118)
Insurance	(9.380)	(2.481)
Maintenance	(255.812)	(76.387)
Other	(96.805)	(14.681)
	(33.731.717)	**(13.566.990)**

The “Costs for purchases” item recorded a strong increase attributable to the contribution for the entire year of new business sectors, which had only contributed for a portion of the previous year. The contribution is mainly due to IMC S.p.A. (EUR 20.7 million), Ceramica Cielo S.p.A. (EUR 8.2 million), companies in the Nursing Home sector (EUR 2.1 million), Balder S.r.l. (EUR 2.0 million) and companies in the Real Estate sector (EUR 0.6 million).

36. Costs for services

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Legal consultancy	(1.096.754)	(1.688.821)
Notary consultancy	(228.354)	(264.937)
Other consultancy	(3.079.549)	(3.876.513)
General services and maintenance	(6.002.091)	(4.876.555)
Administrative, organisational and audit services	(331.876)	(174.461)
Cost of temporary workers	(70.648)	(65.804)
Directors' fees	(3.723.269)	(3.366.666)
Board of Statutory Auditors’ fees	(350.867)	(391.091)
Supervisory Body’s fees	(94.002)	(147.799)
Fees for prosecutors and Manager in charge	(16.000)	(20.000)
Rentals	(6.663.253)	(5.838.754)
Leases	(177.646)	(84.119)
Insurance	(569.356)	(581.770)
Utilities	(3.327.217)	(1.925.869)
Advertising	(868.557)	(275.005)
Others	(2.426.369)	(1.048.323)
	(29.025.808)	**(24.626.487)**

Costs for services are primarily attributable to: Nursing Home sector companies (EUR 10.6 million), Mittel S.p.A. (EUR 4.7 million), Ceramica Cielo S.p.A. (EUR 6.8 million), IMC S.p.A. (EUR 3.7 million), Balder S.r.l. (EUR 0.6 million), the Real Estate sector (EUR 1.9 million), and the Advisory sector (EUR 0.6 million).

37. Personnel costs

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Wages and salaries	(21.224.962)	(17.146.827)
Social security costs	(6.487.076)	(5.147.583)
Allocation to employee severance indemnity	(1.514.123)	(1.034.301)
Payments to external supplementary pension funds	(32.197)	(32.957)
Other personnel costs	(1.403.476)	(1.128.888)
	(30.661.834)	**(24.490.556)**

In particular, personnel costs consisted of EUR 13.4 million for the Nursing Home sector (EUR 13.9 million in last year’s financial statements), EUR 6.6 million for Ceramica Cielo S.p.A. (EUR 2.7 million for six months of contribution in last year’s financial statements), EUR 5.5 million for IMC S.p.A. (EUR 1.5 million for three months of contribution in last year’s financial statements), EUR 3.1 million from the Parent Company Mittel (EUR 3.9 million in last year’s financial statements), EUR 1.0 million for the Advisory sector (EUR 2.0 million in last year’s financial statements), and EUR 0.8 million for Balder S.r.l. (EUR 0.2 million for three months of contribution in last year’s financial statements), and EUR 0.2 million for Mittel Investimenti Immobiliari S.r.l. (EUR 0.2 million in last year’s financial statements).

Average number of Group employees broken down by category:

	Exact number at 31 December 2018	Average in the year 2018	Average in the year 2016/2017
Managers	12	10	6
Officials	22	23	18
Employees	114	114	67
Blue-collar staff	754	617	430
Total	**902**	**764**	**522**

38. Other costs

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Taxes and duties	(1.574.639)	(2.412.095)
Losses on receivables	(120.709)	(50.936)
Capital losses from transfer of property, plant and equipment	(5.674)	(15.517)
Extraordinary contingent liabilities	(146.258)	(713.698)
Other sundry operating expenses	(710.503)	(1.409.780)
	(2.557.783)	**(4.602.026)**

The "Taxes and duties" item is mainly composed of indirect taxes (mainly non-deductible VAT) of Mittel S.p.A. for EUR 0.7 million, of the Real Estate sector for EUR 0.4 million, the Nursing Home sector for EUR 0.3 million, and Ceramica Cielo S.p.A. for EUR 0.1 million.

Other operating expenses refer mainly to the Parent Company (EUR 365 thousand), Ceramica Cielo S.p.A. (EUR 219 thousand), the Nursing Home sector (EUR 47 thousand), and the Real Estate sector (EUR 42 thousand).

39. Amortisation and value adjustments to intangible assets

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Intangible assets		
Amortisation	(96.809)	(88.818)
Property, plant and equipment		
Amortisation of investment property	-	-
Depreciation of other assets owned	(5.629.574)	(2.508.652)
	(5.726.383)	**(2.597.470)**

In more detail, this item is mainly contributed by IMC S.p.A. (EUR 3.8 million), Ceramica Cielo S.p.A. (EUR 0.8 million), Nursing Home sector companies (EUR 0.7 million), Balder S.r.l. (EUR 0.2 million), and Mittel S.p.A. (EUR 0.2 million).

40. Allocations to the provision for risks

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Provisions for ongoing disputes:		
for legal disputes	(121.006)	(614.856)
Other provisions	(102.998)	(90.163)
	(224.004)	**(705.019)**

The “Provisions for legal disputes” item is the net result of the contribution to the consolidated total of Mittel Advisory S.r.l. (EUR 14 thousand), Fashion District Group S.r.l. in liquidation (release of provision for EUR 57 thousand), and Lucianita S.r.l. (EUR 20 thousand), and Mittel S.p.A. (EUR 143 thousand).
The item “Other provisions” refers mainly to the effect of the allocations made by companies in the Nursing Home sector for EUR 53 thousand, Parco Mediterraneo S.r.l. for EUR 13 thousand, and IMC S.p.A. for EUR 36 thousand.

41. Share of income (loss) of investments accounted for using the equity method

The item includes:
- the *pro-rata* profit/(loss) of the net result of companies valued using the equity method, including any impairment;
- write-downs/(reversals) of fair value of investments measured using the equity method;
- capital gains/(losses) on the disposal of investments measured using the equity method;
- capital gains/(losses) corresponding to the net economic result of the period of investments no longer fully consolidated, due to the disposal of the controlling interest in the same;
- any impairment losses of investees exceeding the respective book value to the extent corresponding to the actual obligations for the coverage of losses and with a contra-item in the form of an allocation to the provision for risks.

The item is composed as follows:

	31.12.2018	31.12.2017
***Pro-rata* profits**		
Castello SGR S.p.A.	-	225.331
Mit-Fin S.p.A.	156.720	-
Superpartes S.p.A.	-	20.130
Tower 6 Bis Sarl	-	13.339.247
Bios S.p.A.	-	28.714.883
	156.720	**42.299.591**
***Pro-rata* losses**		
Superpartes S.p.A.	(2.915)	-
Mit-Fin S.p.A.	-	(4.157)
Bios S.p.A.	(821.561)	-
	(824.476)	**(4.157)**
	(667.756)	**42.295.434**

42. Financial income

The item is composed as follows:

	31.12.2018	31.12.2017
Bank interest income	661.474	656.877
Interest income on financial receivables	3.341.528	5.507.564
Other interest income	108.587	202.779
Other financial income	21.677	44.730
Exchange rate gains	10.103	12.762
	4.143.369	**6.424.712**

Interest income on financial receivables relates mainly to the contribution of the Parent Company Mittel S.p.A. for loans outstanding (EUR 2.3 million) and the contribution of Ghea S.r.l. for the interest accrued for the year on the loan to Bios S.p.A. (EUR 1.1 million).

43. Financial expenses

The item is composed as follows:

	31.12.2018	31.12.2017
Interest expense on bonds	(7.819.369)	(9.120.946)
Interest expense on bank current accounts	(137.588)	(49.598)
Interest expense on bank loans	(719.007)	(1.815.535)
Interest expense on other loans	(1.059.849)	(664.245)
Other interest expenses	(344.626)	(223.115)
Other financial expenses	(6.181.538)	(4.846.198)
Exchange rate losses	(26.142)	(20.361)
	(16.288.119)	**(16.739.998)**

The “Interest expense on bonds” item includes only the interest expense on bonds issued by Mittel S.p.A. for the entire year.
The main contribution to the item “Interest expense on bank loans” is from companies in the Nursing Home sector for EUR 0.7 million.
The contributions to the item “Interest expense on other loans” are from IMC S.p.A. for EUR 0.8 million and companies in the Nursing Home sector for EUR 0.3 million.
The other financial expenses refer to Gruppo Zaffiro S.r.l. for EUR 5.8 million and to Mittel S.p.A. for EUR 0.2 million.

44. Dividends

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Dividends from financial assets	182.525	151.701
Dividends from investments	32.053	-
	214.578	**151.701**

The item “Dividends” is entirely attributable to Mittel S.p.A. In particular, dividends from financial assets refer mainly to the distributions carried out in the period by Sia S.p.A.

45. Profit (loss) from management of financial assets and investments

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Financial assets		
Capital gains	-	5.674.314
Other income	265.589	579.961
Capital gains (losses) from transfer of investments	**8.523.109**	**3.492.555**
	8.788.698	**9.746.830**

The item “Other income” refers to the contribution from Markfactor S.r.l. in liquidation.
The item “Capital gains from transfer of investments” consists of the contribution of Mittel S.p.A. in relation to the conclusion of the Auchan/Bernardi dispute, which has been explained in note 30, to which reference should be made.

46. Value adjustments to financial assets, loans and receivables

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Write-downs on financial receivables	(3.961.031)	(8.898.664)
Write-downs on other receivables	(227.928)	(952.545)
Write-downs of financial assets	(2.135.862)	(2.687.885)
Reversals of impairment losses	1.624.057	-
	(4.700.763)	**(12.539.094)**

Write-downs of financial receivables refer to the contribution from Mittel S.p.A., while the write-downs of other receivables refer primarily to the contribution from Mittel Investimenti Immobiliari S.r.l. for EUR 0.1 million and companies in the Nursing Home sector for EUR 0.1 million.

Write-downs of financial assets are primarily attributable to value adjustments recognised by the Parent Company Mittel (EUR 1.9 million) for Fondo Augusto (EUR 0.2 million) and Fondo Cosimo (EUR 1.7 million), as well as EUR 0.3 million for value adjustments recorded by Earchimede S.p.A. with reference to Medinvest International S.c.a. (Euro 0.3 million).
The item “Reversals of impairment losses on financial assets” refers to the recovery recognised by Mittel S.p.A. and Earchimede S.p.A. on Equinox Two (EUR 1.1 million), and EUR 0.5 million for the recovery recognised by Locaeffe S.r.l. in liquidation on a receivable collected during the year.

47. Profit (loss) from trading of financial assets

The item, present only in the previous year, is composed as follows:

	31.12.2018	31.12.2017
Gains/losses on disposal of securities (current)	-	353.809
Capital gains/losses on securities valuation (current)	-	-
Derivative financial instruments	-	-
	-	**353.809**

48. Income taxes

The amount is composed as follows:

	31.12.2018	31.12.2017
IRES (corporate income tax)	(127.098)	(1.106.355)
IRAP (regional business tax)	(1.055.961)	(1.044.753)
Taxes of previous years	290.174	(61.180)
Total current taxes	**(892.885)**	**(2.212.288)**
Deferred tax liabilities	4.716.375	5.644.236
Deferred tax assets	4.022.439	(1.024.828)
Total deferred taxes	**8.738.814**	**4.619.408**
Other taxes	-	-
Total income taxes	**7.845.929**	**2.407.120**

49. Profit (loss) pertaining to non-controlling interests

The item is composed as follows:

	31.12.2018	31.12.2017
Profit (loss) for the period pertaining to non-controlling interests	984.678	(1.683.553)
	984.678	**(1.683.553)**

50. Basic and diluted earnings (loss) per share

As set forth in IAS 33, the Mittel Group shows basic earnings per share calculated as net profit or loss for the year attributable to the Parent Company divided by the weighted average number of shares outstanding in the year; diluted earnings are calculated by adjusting profit or loss attributable to holders of ordinary equity instruments of the Parent Company Mittel S.p.A. to take account of the effects of all potential ordinary shares with a dilutive effect.

In particular, basic and diluted earnings per share are calculated as follows:

- *Basic earnings or loss per share:*
  Basic earnings or loss 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 of ordinary shares outstanding during the year.
- *Diluted earnings or loss per share:*
  As required by IAS 33, diluted earnings (loss) per share should take account of the effects of all potential ordinary shares with a dilutive effect.

Basic and diluted earnings or loss per share attributable to the Parent Company as at 31 December 2018, compared with the previous year, are as follows:

Earnings/(loss) per share attributable to the Parent Company (in Euro)	31.12.2018	31.12.2017
From income statement:		
- Basic	0,017	0,223
- Diluted	0,017	0,222
From comprehensive income:		
- Basic	(0,022)	(0,379)
- Diluted	(0,022)	(0,379)

Basic earnings or loss per share

During the year ended 31 December 2018, the number of shares outstanding changed as follows:

Number of shares	31.12.2018	31.12.2017
(no. ordinary shares)		
No. of shares at start of the period	87.907.017	87.907.017
Average weighted number of ordinary shares subscribed in the period	-	-
No of treasury shares at start of the period	(12.357.402)	(12.357.402)
Average weighted number of treasury shares acquired in the period	-	-
Average weighted number of treasury shares sold in the period	3.748.684	-
Potential dilution of ordinary shares	-	-
Average weighted number of shares outstanding at the end of the period	**79.298.299**	**75.549.615**

The consolidated basic earnings or loss per share attributable to the Parent Company as at 31 December 2018, compared with the previous year, are as follows:

EUR		
Net profit/(loss) attributable to the Parent Company	**1.323.622**	**16.850.831**

EUR		
Basic earnings/(loss) per share attributable to the Parent Company	**0,017**	**0,223**

The consolidated comprehensive basic earnings or loss per share attributable to the Parent Company as at 31 December 2018, compared with the previous year, are as follows:

EUR		
Total net profit/(loss) comprehensive attributable to the Parent Company	**(1.774.854)**	**(28.625.256)**

EUR		
Total basic earnings/(loss) comprehensive per share attributable to the Parent Company	**(0,022)**	**(0,379)**

Diluted earnings or loss per share

Presence of a Stock Appreciation Rights assignment plan which affects the determination of the number of shares to be used in the calculation of diluted earnings per share

As at 31 December 2018, the shares for potential issue refer solely to shares assigned against the medium/long-term incentive plan based on the assignment of Stock Appreciation Rights (SARs) on treasury shares reserved for the management of Mittel S.p.A. (note the removal from the SARs plan of the former Chief Executive Officer, as a result of the termination of the employment relationship that occurred in November 2018).
The calculation of the diluted earnings per share was therefore made taking into account the number of shares that could be issued, without any consideration being received, against the SARs accrued and accounted for to date.

Reconciliation of the weighted average number of shares outstanding for the purposes of the calculation of diluted earnings or loss per share from the consolidated income statement and from the statement of comprehensive income as at 31 December 2018, compared with the previous year, is as follows.

Diluted earnings or loss per share	**31.12.2018**	**31.12.2017**
(no. ordinary shares)		
Average weighted number of shares outstanding at the end of the period	79.298.299	75.549.615
plus shares required for:		
- SARs plan	315.927	262.845
Potential dilution of ordinary shares	315.927	262.845
Average weighted number of shares at the end of the period	**79.614.226**	**75.812.460**

EUR		
Net profit/(loss) attributable to the Parent Company	1.323.622	16.850.831
Effect of subscriptions of potential new shares	-	-
Net profit (loss) available to ordinary shareholders plus expected subscriptions	**1.323.622**	**16.850.831**

EUR		
Diluted earnings or loss per share	**0,017**	**0,222**

For purposes of comprehensive income per diluted share (negative comprehensive income during the year), the effect of the SARs was not considered as it had a counter-dilutive effect.

As there are no profits or losses from non-current assets held for sale or discontinued operations, the related earnings or loss per share of assets held for sale or already disposed of is not indicated.
Furthermore, note that the earnings or loss per share values recognised do not require adjustment due to any transactions involving ordinary shares or potential ordinary shares after the end of the year as at 31 December 2018 which would have significantly changed the number of ordinary or potential ordinary shares outstanding at period end.

51. Consolidated net financial position

According to the provisions of Consob Communication of 28 July 2006 and in compliance with the Recommendation of CESR dated 10 February 2005 “Recommendations for the consistent implementation of the regulation of the European Commission on prospectuses”, it should be noted that the net financial position of the Mittel Group as at 31 December 2018 was a negative EUR 29.5 million (negative EUR 101.1 million as at 31 December 2017), as shown in the table below:

(Thousands of Euro)	31.12.2018	31.12.2017	Variation
Cash	224	74	150
Other cash and cash equivalents	223.598	155.397	68.201
Securities held for trading (*)	-	-	-
Current liquidity	**223.822**	**155.471**	**68.351**
Current financial receivables	**-**	**396**	**(396)**
Current bank payables	(755)	(13.261)	12.506
Current portion of medium/long-term bank loans	(8.776)	(9.059)	284
Bonds	(44.844)	(3.072)	(41.772)
Other financial payables	(14.339)	(94)	(14.245)
Current financial debt	**(68.713)**	**(25.486)**	**(43.227)**
Net current financial debt	**155.109**	**130.381**	**24.728**
Non-current bank payables	(47.084)	(40.769)	(6.315)
- Bank loans and borrowings expiring in the medium-term	(47.084)	(40.769)	(6.315)
- Bank loans and borrowings expiring in the long-term	-	-	-
Bonds issued	(129.256)	(173.023)	43.768
Other financial payables	(8.288)	(17.723)	9.435
Non-current financial debt	**(184.628)**	**(231.515)**	**46.888**
Net financial position	**(29.519)**	**(101.134)**	**71.616**

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

As regards the determination of the net financial position, please refer to the Directors’ Report on Operations for these financial statements. Moreover, in compliance with the indications of Consob Communication no. 6064293 of 28 July 2006 relating to the impact of transactions or positions with related parties on the net financial position, refer to the financial statement tables drawn up pursuant to Consob Resolution no. 15519 of 27 July 2006. Specifically, the significant items pertaining to the net financial position, which recorded balances to/from related parties, are current and non-current financial receivables and non-current financial payables. For the details of these, please refer to note 53 of these consolidated financial statements.

52. Commitments and guarantees

As at 31 December 2018, the guarantees given can be summarised in the following table:

	31.12.2018	31.12.2017
Guarantees:		
commercial	11.006.435	10.648.464
assets pledged as collateral	15.800.776	-
Commitments:		
disbursement of funds	4.347.332	4.347.332
other irrevocable commitments	-	2.263.192
	31.154.543	**17.258.988**

Commercial guarantees refer to (i) EUR 6.6 million for Mittel S.p.A., mainly in relation to sureties in favour of the Italian Revenue Agency for VAT on which a refund was requested and/or offset, EUR 2.2 million on its own account, and EUR 4.4 million on behalf of Group companies, (ii) EUR 3.6 million for the contribution from the Real Estate sector and consists of sureties for primary urbanisation works requested by the cities of Milan (EUR 0.7 million) and Como (EUR 3.0 million); and (iii) EUR 0.7 million for guarantees granted to companies in the Nursing Home sector.

Assets pledged as collateral are attributable to (i) Villa Gisella S.r.l. for EUR 12.8 million in relation to the mortgage on the property with the banks (Ubi and Credem), and (ii) Gruppo Zaffiro S.r.l. for EUR 3.0 million for guarantees to Unicredit.

Commitments to disburse funds refer to the commitments for payments to be made into investment vehicles, and are attributable to Earchimede S.p.A. for EUR 3.1 million and Mittel S.p.A. for EUR 1.3 million.

53. Intercompany transactions and transactions with related parties

In terms of transactions 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 year closed as at 31 December 2018, transactions were entered into with said counterparties as part of ordinary Group operations and that no atypical and unusual transactions were carried out.

All transactions were performed at arm's length and refer to:

	Directors, Statutory auditors and internal committees	Associates	Other related parties	Total
Non-current assets				
Financial receivables		17.226.538		**17.226.538**
Current assets				
Sundry receivables and other assets		36.258		**36.258**
Current liabilities				
Sundry payables and other liabilities	358.828	18.320		**377.148**
Income statement				
Revenue		67.005		**67.005**
Other income		15.000		**15.000**
Costs for services	(2.444.533)			**(2.444.533)**
Personnel costs	(960.312)	(22.195)		**(982.507)**
Financial income		1.962.880		**1.962.880**

- Non-current financial receivables refer to the loan granted by Mittel S.p.A. to Mittel Generale Investimenti S.r.l. for EUR 17.2 million.

- The "Sundry receivables and other assets" item refers to the amount due to Mittel S.p.A. from Mittel Generale Investimenti S.r.l. for chargebacks of sundry services.

- The "Sundry payables and other current liabilities" item refers to the amount due to directors (EUR 213 thousand) and statutory auditors (EUR 146 thousand) for fees accrued but still to be paid and, for the part due to associates, amounts due to Mittel S.p.a from Mittel Generale Investimenti S.r.l. for invoices issued.

- The items "Revenue" and "Other income" refer to the chargeback of administrative services and direct debit services provided to third parties that are considered related parties (associates).

- The item "Costs for services due to directors, statutory auditors and internal committees" refers to EUR 2.3 million in Directors' fees and EUR 0.1 million in fees to the Board of Statutory Auditors. For further details, please refer to the "Report on Remuneration" which will be available on the company's web site www.mittel.it, "investor relations" section, according to the legal terms.

- The item "Personnel costs" refers to the remuneration of the Group's key managers. For further details, please refer to the "Report on Remuneration" which will be available on the company's web site www.mittel.it, "investor relations" section, according to the legal terms. Personnel costs in relation to associates refers to employees that Mittel Generale Investimenti S.r.l. has seconded to Mittel S.p.A.

- The "Financial income" item refers to interest income of EUR 0.9 million accrued by Mittel S.p.A. from Mittel Generale Investimenti S.r.l. and interest of EUR 1.1 million accrued on loans granted by Ghea S.r.l. to Bios S.p.A.

54. Additional disclosures on financial instruments and risk management policies

With reference to supplementary disclosures regarding financial instruments and the inherent risks required by IFRS 7 and IFRS 13, aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures and the fair value measurement of financial instruments, details on the measures and mechanisms the Group has implemented to manage the exposure to financial risks are shown below.

54.1 Fair value measurement

IFRS 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Where transactions are directly observable on a market, it may be relatively simple to determine the fair value. Otherwise, valuation techniques are used such as the "market" approach, which use prices and other relevant information generated by other transactions involving similar assets and liabilities, the "income approach", which consists of the discounting of future cash inflows and outflows, and, lastly, the "cost approach", which requires that the entity determine a value that reflects the amount that would be required currently to replace the service capacity of an asset.
IFRS 13 establishes a fair value hierarchy that classifies the input of the valuation techniques used to measure fair value into three levels.
The fair value hierarchy assigns the maximum priority to listed prices (not adjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the minimum priority to inputs that are not observable (Level 3 inputs).

The levels used in the hierarchy are as follows:

Level 1 inputs: listed prices (not adjusted) in active markets for identical assets or liabilities which the entity may access at the valuation date. A market is defined as active when prices reflect transactions that occur with a frequency and at sufficient volumes to provide useful information for determining the price on an ongoing basis.

Level 2: inputs: variables other than listed prices included in Level 1 that are directly or indirectly observable for assets or for liabilities. These valuation techniques are used if the instrument to be valued is not listed in an active market. The valuation of the financial instrument is based on market prices taken from market listings of identical or similar assets or through valuation techniques for which all significant values are taken from parameters observable or corroborated on the market.

Level 3 inputs: variables that are not observable for assets or for liabilities. These techniques consist of the calculation of the listed price of the instrument by using significant parameters which are not observable but must reflect the assumptions that market participants would use in calculating the price of the asset or liability, including the assumptions regarding risk.

For the financial instruments outstanding as at 31 December 2018, and for comparative purposes as at 31 December 2017, the table below illustrates the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis (level 3 includes the book values of unlisted financial assets recognised at cost in the absence of an available fair value):

	31 December 2018			31 December 2017		
(thousands of EUR)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other financial assets at fair value						
Financial assets at fair value through other comprehensive income	-	-	-	-	16.488	8.791
Financial assets measured at fair value through profit or loss	-	14.622	3.243	-	-	-
Financial receivables at fair value						
Financial receivables that did not pass the SPPI test	-	-	-	-	-	-
Total assets	**-**	**14.622**	**3.243**	**-**	**16.488**	**8.791**
Other financial liabilities:						
Hedging derivatives	-	-	210	-	-	90
Trading derivatives	-	-	-	-	-	-
Other financial liabilities	-	-	13.200	-	-	7.460
Total liabilities	**-**	**-**	**13.410**	**-**	**-**	**7.550**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 31 December 2018 are shown, and for comparative purposes, as at 31 December 2017, indicating the valuation criteria applied and, for financial instruments at fair value, the exposure (income statement or equity), specifically assigning the fair value category. The last column of the table shows, where applicable, the fair value of the financial instrument at the end of the year.

Situation as at 31 December 2018

(amounts in EUR)

Types of financial instruments	Financial instruments at fair value						Financial instruments at amortised cost	Financial statement total as at 31 December 2018	Fair value as at 31 December 2018
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy					
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)	
ASSETS									
Other non-current financial assets (a) (c)	17.864.891	-	**17.864.891**	-	14.622.117	3.242.774	**-**	**17.864.891**	17.864.891
Non-current financial receivables (b)	-	-	**-**	-	-	-	**45.800.456**	**45.800.456**	45.800.456
Non-current sundry receivables (*)	-	-	**-**	-	-	-	**754.772**	**754.772**	754.772
Trade receivables (*)	-	-	**-**	-	-	-	**16.824.957**	**16.824.957**	16.824.957
Current sundry receivables (*)	-	-	**-**	-	-	-	**2.277.386**	**2.277.386**	2.277.386
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**223.822.291**	**223.822.291**	223.822.291
	17.864.891	**-**	**17.864.891**	**-**	**14.622.117**	**3.242.774**	**289.479.862**	**307.344.753**	307.344.753
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**174.100.027**	**174.100.027**	173.036.689
Financial payables (current and non-current) (b)	-	-	**-**	-	-	-	**65.830.732**	**65.830.732**	65.830.732
Other financial liabilities (current and non-current) (cc)	13.200.000	210.248	**-**	-	210.248	13.200.000	**-**	**13.410.248**	13.410.248
Trade payables (*) (b)	-	-	**-**	-	-	-	**17.408.450**	**17.408.450**	17.408.450
Sundry payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**3.309.407**	**3.309.407**	3.309.407
	13.200.000	**210.248**	**-**	**-**	**-**	**-**	**260.648.616**	**274.058.864**	272.995.526

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Financial assets measured at fair value through profit or loss
(b) Financial receivables and financial liabilities at amortised cost.
(c) Financial assets and liabilities at fair value on a recurring basis.

Situation as at 31 December 2017

(amounts in EUR)

Types of financial instruments	Criteria applied in the measurement of the financial instruments in the financial statements								Financial statement total as at 31 December 2017	Fair value as at 31 December 2017		
	Financial instruments at fair value						Financial instruments at amortised cost	Unlisted investments measured at cost				
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy								
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(C)	(A+B+C)	Level 1	Level 2	Level 3
ASSETS												
Available-for-sale investments (c)		1.503.000	**1.503.000**						**1.503.000**			n.a.
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.a.
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 measured at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities 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.
(e) Payables for loans from non-controlling shareholders with undetermined maturity, for which fair value cannot be measured

Fair value valuation techniques:

The fair value measurement method defined for a financial instrument is adopted on a continuing basis over time and is only modified as a result of significant changes in the market or subjective conditions of the issuer of the financial instrument.
Completing the analyses required by IFRS 13, the additional disclosures concerning the valuation techniques and inputs used to measure fair value are shown below:

I. Fair value measurement of equities represented by non-controlling interests recorded in the portfolio of financial assets measured at fair value through profit or loss

The valuation techniques used to measure the fair value of the non-controlling interests recognised in the AFS portfolio measured at fair value through profit or loss include:
- the reference to market values that can be indirectly linked to the instrument to be measured and taken from similar products in terms of risk characteristics (comparable approach);

- valuations performed by using inputs not taken from observable market parameters for which use is made of estimates and assumptions prepared by the evaluator (mark to model approach).

In detail, for the fair value measurement of equities, different valuation methods are to be used, which involve the use of inputs deriving from direct transactions, i.e.:
- significant share transactions over a period of time deemed sufficiently short with respect to the time of the valuation and under constant market conditions;
- comparable transactions of companies that operate in the same sector and with any type of product/service supplied similar to those of the investee subject to valuation;
- application of the average of significant stock market multiples of comparable companies with respect to the economic-equity amounts of the investee, and
- the application of analytical financial, profit and equity valuation methods.

The choice from the aforementioned methods is not optional, given that these must be applied in hierarchical order; priority is given to official prices available in active markets for assets and liabilities to be measured (effective market quotes) or for similar assets and liabilities (comparable approach), with the lowest priority given to non-observable and, therefore, more discretional inputs (Mark to model approach).
In incorporating all the factors that operators take into consideration in establishing the price, the valuation models developed take account of the time value of money at the risk-free rate, insolvency risks, the volatility of the financial instruments and, if necessary, foreign currency exchange rates.
Shares units of private equity funds and foreign investment vehicles are measured using the last NAV (net asset value) available on a sufficiently active market (level 2).

II. Fair value measurement of financial assets and liabilities in the financial statements at amortised cost

For financial assets and financial liabilities recognised in the financial statements at amortised cost, the fair value is determined in accordance with the following methods:
- for medium/long-term assets and liabilities, the valuation is carried out through the discounting of future cash flows. The latter method is based on the “discount rate adjustment approach” which requires the risk factors connected with the disbursement of credit to be included in the rate used for the discounting of future cash flows;
- for assets and liabilities on demand with a short-term or undetermined expiry and for the initial disbursements of financial receivables, the book value recognised net of the individual impairment loss is a suitable representation of fair value.

Specifically, for financial receivables deriving from loan operations posted at amortised cost in the statement of financial position, the reference figures relating to the fair value measurement are classified under Level 3 of the fair value hierarchy, and were estimated using the discounted cash flow method. The main inputs used for this measurement are the market discount rates, which reflect the conditions applied in the key markets for receivables with similar characteristics, adjusted to take account of the credit risk of the counterparty.
The nominal value of Cash and cash equivalents generally approximates their fair value considering the short term of these instruments, which mainly include bank current accounts and time deposits.
Bond issues are recognised at amortised cost in the statement of financial position, and the related bonds are listed in an active market. Therefore, their fair value is measured using the prices at the end of the year. Thus, their fair value is classified in Level 1 of the hierarchy.
For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not significantly differ from their book value, their book values are assumed to be a reasonable approximation of their fair value.
Specifically, the book value of Receivables and other current assets and Trade payables and Other current liabilities approximates their fair value.

Where a market is not functioning normally, i.e. when the market does not have a sufficient and continuous number of transactions and volatility is not adequately contained, the fair value of these financial instruments is calculated predominantly by using valuation techniques whose objective is to establish the price of a hypothetical transaction that considers assumptions regarding risk that market participants would use in calculating the price of the asset or liability and that also includes the risks inherent in a specific valuation technique used and the risk inherent in the inputs of the valuation technique.

Variations to financial assets at fair value level 3

As at 31 December 2018, no transfers of financial assets and liabilities at fair value on a recurring basis from level 3 to other levels and vice-versa were made, deriving from changes to significant input variables of observable valuation techniques.

With reference to financial instruments classified in level 3 of the fair value hierarchy, details of changes in the period, including profits/(losses) booked to the income statement, are shown below:

(thousands of EUR)	Financial assets measured at fair value level 3
As at 31 December 2017	**8.791**
(Profits)/losses recognised in the income statement	817
(Profits)/losses recognised in other comprehensive income	-
Other changes	(6.365)
As at 31 December 2018	**3.243**

Financial assets measured at fair value level 3 mainly include EUR 1.3 million for Equinox Two (EUR 6.3 million at 31 December 2017), EUR 1.4 million for SIA-SSB S.p.A. (EUR 1.4 million at 31 December 2017), and EUR 0.4 million for Medinvest International S.A. (EUR 1.0 million at 31 December 2017).

54.2 Classifications of financial instruments

Categories of financial assets and liabilities

With reference to supplementary disclosures regarding financial instruments and the inherent risks required under IFRS 7, and aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures, details on the measures and mechanisms the Group has implemented to manage the exposure to financial risks are shown below.

Additional disclosures required by IFRS 7 in order to assess the relevance of the financial instruments with reference to the Mittel Group's financial position are shown below:

	IFRS 9 CATEGORIES			
Financial assets at 31 December 2018	Loans and receivables	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Book value
Non-current financial assets:				
Investments	-	17.864.891		**17.864.891**
Bonds	-	-	-	**-**
Other financial assets	-	-	-	**-**
Non-current receivables:				
Financial receivables	45.800.456	-	-	**45.800.456**
Sundry receivables	754.772	-	-	**754.772**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	19.102.343	-	-	**19.102.343**
Current financial assets:				
Financial receivables	-			**-**
Other financial assets		-	-	**-**
Hedging derivatives	-	-	-	**-**
Non-hedging derivatives	-	-	-	**-**
Cash and cash equivalents				
Bank and postal deposits	223.822.291	-	-	**223.822.291**
TOTAL FINANCIAL ASSETS	**289.479.862**	**17.864.891**	**-**	**307.344.753**

	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 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**

Note that the table also includes the items sundry receivables and other assets and sundry payables and other liabilities.

	IFRS 9 CATEGORIES		
Financial liabilities as at 31 December 2018	Financial instruments at fair value	Liabilities at amortised cost	Book value
Non-current payables and liabilities:			
Loans and borrowings from banks and other lenders	-	55.161.752	**55.161.752**
Sundry payables and other liabilities	-	154.958	**154.958**
Bonds	-	129.255.667	**129.255.667**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	10.668.980	**10.668.980**
Other financial liabilities	13.200.000	-	**13.200.000**
Trade payables	-	17.408.450	**17.408.450**
Sundry payables	-	3.154.449	**3.154.449**
Bonds	-	44.844.360	**44.844.360**
Other financial liabilities:			
Hedging derivatives	210.248	-	**210.248**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**13.410.248**	**260.648.616**	**274.058.864**

	IAS 39 CATEGORIES		
Financial liabilities as at 31 December 2017	Financial instruments at fair value	Liabilities at amortised 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**

54.3 Risk management policies

1. Credit risks

Credit risk represents the exposure of the Mittel Group to potential losses resulting from the non-fulfilment of the obligations assumed by both financial and commercial counterparties. This risk mainly originates from economic-financial factors, or the possibility of counterparty default, or from more strictly technical-commercial factors.

The Mittel Group's maximum theoretical exposure to credit risk is represented by the book value of the financial assets and receivables recorded in the financial statements. It should be pointed out that certain credit positions are secured by mortgages and pledges on securities.
Allocations to the allowance for impairment are made specifically on credit positions that present unique elements of risk. By contrast, allocations are made to credit positions that do not present these characteristics on the basis of the average estimated collectability in line with statistical indicators.

As regards credit risk pertaining to income components that contribute to the calculation of net financial debt, it should be noted that the management of the Group's liquidity is based on prudential criteria and divided according to the following areas:

- money market management, entrusted with the investment of temporary cash surpluses during the period, the reabsorption of which is expected within the next twelve months;
- bond portfolio management, entrusted with the investment of a permanent level of liquidity, the investment of that part of liquidity whose reabsorption for cash requirements is expected to occur after twelve months, as well as the improvement of the average yield on the asset.

In order to reduce the risk of the non-fulfilment of the obligations assumed by the counterparty, deposits have been made with leading banks with high credit standing.
In order to minimise credit risk, the Group also pursues a policy of diversification of its use of liquidity and of assignment of credit positions to the different bank counterparties; therefore, there are no significant positions with single counterparties to report.
The Group is not exposed to sovereign debts.

Qualitative information

General aspects

The Group performs its activities in the equity investments, advisory, and property sectors, as well as operating sectors of the companies involved in business combinations during the previous year (Nursing Homes, Design and Automotive). Credit risk represents the risk of counterparty default with a partial or total loss of capital and of the interest on the credit position.
The analysis of credit risk is a key factor, for the purposes of preparation of the financial statements, in the evaluation of the receivables in the portfolio and as regards their impairment testing required by IFRS 9.

Management and the Internal Control and Risks Committee constantly monitor risk positions at collective and individual level.
The risk control department measures the market risks of the Parent Company and those of the individual Group companies, in order to ensure that the overall exposure is monitored.

Quantitative information

Credit exposures: gross and net values

The following table shows the total gross and net amounts of the Group's financial receivables for the year ended at 31 December 2018 and the prior year.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Net exposure
Total as at 31 December 2018	**76.723.543**	**(30.923.087)**	**45.800.456**
Total as at 31 December 2017	**111.895.408**	**(29.723.411)**	**82.171.997**

The table below shows the details of trade receivables as at 31 December 2018, by trade receivables not past due ("Falling due" line) and past due receivables, with an indication of the expired period (lines "0-180 days", and "180-360 days" and "more than 360 days"):

Amounts in Euro

	31.12.2018		
	Nominal value	Impairment losses	Net value

Falling due	14.445.721	-	14.445.721
0-180 days	1.660.505	(26.674)	1.633.831
180-360 days	78.245	-	78.245
More than 360 days	4.596.224	(3.929.064)	667.160
	20.780.695	**(3.955.738)**	**16.824.957**

The figures relating to the financial statements as at 31 December 2017 are provided below.

Amounts in Euro

	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	-	-	-
More than 360 days	3.470.331	(3.434.882)	35.449
	21.116.058	**(3.611.883)**	**17.504.175**

Positions for which there is an objective condition of partial or total non-collectability are impaired individually. The amount of the impairment loss takes account of the estimate of recoverable flows, the relative collection date and the fair value of any guarantees.
With reference to the accounting policies for loans and receivables, please refer to the section on the first-time adoption of IFRS 9, which has led to the incorporation of expected losses arising from future events.

Group companies calculate impairment according to rules which are differentiated by the different credit accounting methods; in particular, the method for calculating the amount of impairment applicable to the loans and receivables recorded at amortised cost requires the impairment loss to be measured as the difference between the book value of the asset and present value of estimated future cash flows discounted at the original effective interest rate of the financial instrument.
From an accounting point of view, the value of the asset must be reduced directly and the amount of the adjustment is recognised in the income statement in the period.

Cash and cash equivalents

Cash and cash equivalents of the Group totalled EUR 223,822 thousand (EUR 155,471 thousand as at 31 December 2017) and are composed of bank deposits.
As regards the choice of counterparties for the management of temporary surpluses of cash and the stipulation of financial hedging contracts (derivative instruments), the Group only uses contacts with a high credit standing.
In this regard, it should be noted that, as at 31 December 2018, no significant exposures to risks connected to a further deterioration in the overall financial context were highlighted.

Guarantees given

The carrying amount as at 31 December 2018 relating to the financial and commercial guarantees issued, assets pledged as collateral in favour of third parties for financial liabilities and irrevocable commitments are shown below:

	31.12.2018	**31.12.2017**
Commercial guarantees issued	11.006.435	10.648.464
Assets pledged as collateral	15.800.776	-
Irrevocable commitments to disburse funds	4.347.332	4.347.332
Other irrevocable commitments	-	2.263.192
	31.154.543	**17.258.988**

2. Market risks

Interest rate risk

General aspects

Interest rate risk generally refers to the effects of changes in market interest rates on the income statement and on the statement of financial position.
In order to measure and monitor the interest rate risk profile at individual company and consolidated level, reports are generated which ensure the accurate monitoring of the trend in debt rates.
This reporting system makes it possible to continuously record the "margin" between the average rate of debt and lending and to determine the impacts of changes in the structure of interest rates on the entire financial statements for the year.

Quantitative information

The table below identifies the book value of the financial assets and liabilities:

Distribution by repricing date 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	-	-	41.748	-	-	4.052	45.800
Current financial receivables	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	-	**-**	**41.748**	**-**	**-**	**4.052**	**45.800**
Liabilities							
Non-current bank loans	-	-	20.019	17.064	10.000	-	47.083
Current bank loans	6.309	3.222	-	-	-	-	9.531
Other financial liabilities - related parties	-	-	-	-	-	-	-
Bonds	-	44.844	-	129.256	-	-	174.100
	6.309	**48.066**	**20.019**	**146.320**	**10.000**	**-**	**230.714**
Financial derivatives							
Hedging derivatives	24	7	143	37	-	-	211
Trading derivatives	-	-	-	-	-	-	-
	24	**7**	**143**	**37**	**-**	**-**	**211**
	(6.333)	**(48.073)**	**21.586**	**(146.357)**	**(10.000)**	**4.052**	**(185.125)**

The data relating to the previous year 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	-	-	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 liabilities - 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 above tables are based on residual due dates and form a useful means of support also for quantifying liquidity risk. With more specific reference to interest rate risk, however, reference should also be made to the following tables (particularly those provided in the section on sensitivity analysis), which show details of fixed rate and variable rate financial assets and liabilities.

Models and other methods for the measurement and management of interest rate risk

Interest rate risk is a variable to which the Group dedicates considerable attention and has provided the basis for the operational decisions taken, regarding both financing instruments and lending.
In particular, fixed-rate bonds were used as the main source of financing. This strategic decision represents an important factor in mitigating risk and involves a moderate impact in respect of unexpected changes in interest rates on the economic value of the Parent Company and of Group companies.

Price risk

General aspects

Market risks encompass the risks generated by market transactions with regard to financial instruments, currencies and commodities.
Market risks are composed of position, settlement and concentration risk, with reference to the trading portfolio; from currency risk and commodity risk, with reference to the entire financial statements.

Qualitative information

As regards the Group's current operations, actual and prospective market risk is low.
In line with the approved strategic lines, the strategies implemented in the current year are extremely prudent and have made provision for limited trading in financial assets, on the basis of a careful assessment of the risks connected to the current market phase. In particular, activities during the year involved the disposal of the residual trading portfolio held.

Quantitative information

As indicated in the section on qualitative information, the Group's current and future market risk is limited, considering the complete disposal of the trading portfolio and the consistent reduction also in other financial assets compared to previous years.

Currency risk

General aspects

Currency risk may be generally defined as the effects of variations in the exchange rate of non-Euro currencies on the performance of the Group in terms of economic results of operations and cash flows.
Monitoring of the incidence of the trend in exchange rates as regards transactions realised on securities in the various non-Euro currencies, is carried out, where appropriate, through reporting which shows the overall exposure and the incidence on the level of intra-year loss.
These indicators are produced on a daily basis and made available to the managers of the operating and control units.
Presently, the Group has no operations in place in areas subject to currency rate risks.

Qualitative/quantitative information

The Group has no exposures in foreign currency.

Sensitivity analysis

The exposure to the different market risks is measured through a sensitivity analysis, as envisaged under IFRS 7; this analysis illustrates the effects of a given hypothetical variation in the levels of relevant variables in the different markets (interest rates, prices, currency) on financial expenses and income and, sometimes, directly on equity.

The sensitivity analysis was conducted on the basis of the hypotheses and assumptions shown below:

- the sensitivity analyses were carried out by applying reasonably possible changes in the relevant risk variables to carrying amount as at 31 December 2018, assuming that said values are representative of the entire year;
- changes in the value of fixed rate financial instruments, other than derivative instruments, brought about by variations in reference interest rates, generate an impact on profit only when accounted for at their fair value. All fixed rate instruments which are accounted for at amortised cost are not subject to interest rate risk, as defined in IFRS 7;
- changes of value brought about by variations in interest rates, of variable 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 period; therefore, they are taken into consideration in this analysis.

Interest rate risk – Sensitivity analysis

The variation in interest rates on the variable component of payables and liquidity may involve higher or lower financial expenses/income. In particular, in relation to the variation in interest rates: if, as at 31 December 2018, the interest rates were 100 basis points higher/lower than the rates actually registered, at income statement level, higher/lower financial expenses would be recorded, before the associated taxes, amounting to approximately EUR 0.1 million.

Breakdown of the financial structure between fixed and variable rates

In relation to the breakdown of the financial structure between the fixed rate and variable rate components, both for financial assets and liabilities, the following tables are considered.
In the preparation of these tables, account was taken of the book value and, as regards financial assets, of the intrinsic nature (financial characteristics and duration) of the transactions considered, rather than solely the contractually defined conditions.

Amounts in thousands of Euro	31 December 2018		
	Fixed rate	Variable rate	Total
Bank loans	-	55.162	**55.162**
Bonds	174.100	-	**174.100**
Other financial liabilities	-	-	**-**
Total	**174.100**	**55.162**	**229.262**

The data relating to the previous year are shown below:

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**

Amounts in thousands of Euro	31 December 2018		
	Fixed rate	Variable rate	Total
Financial receivables	4.052	41.748	**45.800**
Other financial assets	-	-	**-**
Total	**4.052**	**41.748**	**45.800**

The data relating to the previous year are shown below:

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 tables indicated above, relating to financial receivables and payables for the current year, include the value of non-interest bearing receivables and payables using a fixed rate.

Effective interest rate

The effective interest rate, for categories for which it can be determined, is the one relating to the original transaction net of the effect of any derivative hedging instruments.

The information, given provided by categories of financial assets and liabilities, has been prepared by using, as a weight for weighting purposes, the adjusted book value of accruals, deferrals and fair value adjustments; therefore, this refers to the amortised cost, net of any accruals and fair value adjustments due to hedge accounting.

Amounts in thousands of Euro

	31 December 2018		31 December 2017	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	223.822	0,35%	155.471	0,44%
Other financial receivables	45.800	5,22%	82.172	5,12%
Total	**269.622**	**1,58%**	**237.643**	**2,65%**

Amounts in thousands of Euro

	31 December 2018		31 December 2017	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	55.162	1,14%	71.156	1,95%
Bonds	174.100	4,43%	176.095	4,53%
Other financial liabilities - related parties	-		2.200	0,00%
Total	**229.262**	**3,54%**	**249.451**	**3,59%**

Currency risk – Sensitivity analysis

As at 31 December 2018 (and as at 31 December 2017), no active and passive financial instruments were denominated in currencies different from the financial statement currency of the individual companies and, therefore, currency risk is not subject to sensitivity analysis.

3. Liquidity risk

Liquidity risk is the risk of a company finding it difficult to fulfil future obligations associated with the financial liabilities given that available financial resources are not sufficient to cover the obligations according to the pre-established terms and due dates.
The Group pursues an objective of adequate financial stability of its sources, consistent with the defined strategic guidelines. This requirement has led Mittel S.p.A. to strengthen, through the transaction on bonds carried out during the previous year, the medium-term financial debt component. The Group also has adequate financial flexibility, as it has additional sources or potential sources of financing through the availability of bank credit lines and loans, used in particular by newly acquired companies.
Reference should be made to the table provided above (in the section on interest rate risk) for details of the residual maturities of assets and liabilities.
With reference to the expiry dates of cash flows related to the Group's financial exposure, for liquidity risk purposes, the repayment plan set forth for medium/long-term debt assumes particular significance. Amongst other things, the risk analysis performed is aimed at quantifying, based on contractual expiry dates, the cash flows deriving from the repayment of non-current financial liabilities held by the Company, given that they are deemed relevant for liquidity risk purposes.
For the purposes of presentation of the liquidity risk on the financial exposure of the Group deriving from expected cash flows for the repayment of financial debt and other non-current liabilities, the development of cash flows relating to the plan of payments for annual periods is shown below.

Amounts in thousands of Euro	expiring by 31.12 of the year:				
	2019	2020	2021	After 2021	Total
Bank loans	6.309	3.222	20.019	27.064	56.614
Other loans	-	-	-	500	500
Bonds	47.912	4.847	4.847	136.812	194.418
Derivative financial instruments	-	-	-	-	-
Total	**54.221**	**8.069**	**24.866**	**164.376**	**251.532**

For further information on Mittel Group covenants, reference should be made to the paragraph "Risk of default and debt covenants" in the Directors' Report on Operations.

4. Information on equity

The shareholders have always taken care to provide the Group with sufficient equity to allow it to carry out its activities and to cover risks. For this reason, the Group has carried forward a portion of the profits achieved over the years. The objectives of the Parent Company Mittel S.p.A. as regards the management of capital, are based on the protection of the Group's ability to continue, simultaneously, to ensure profitability for shareholders and to retain an efficient capital structure.

55. Ongoing disputes

A number of Group companies have disputes in progress. The main ongoing legal proceedings (i.e. SNIA S.p.A. in Amministrazione Straordinaria (under extraordinary administration)) are described in the Report on Operations, under the paragraph "Main ongoing legal proceedings".

56. Publishing of the fees for auditing and other non-auditing services pursuant to Consob Issuers' Regulation, art. 149-*duodecies*

Pursuant to art. 149-*duodecies* of Consob Issuers' Regulation, the table below provides information on the fees paid to the independent auditors KPMG S.p.A. and to companies in the KPMG network for the following services:

1) Audit services including:
   - audit of the annual accounts with a view to expressing a professional opinion;
   - limited review of interim accounts.

2) Attestation services, which include assignments for which the auditor assesses a specific element, the determination of which is performed by another entity responsible, by adopting suitable criteria, for expressing conclusions that provides the addressee with a degree of reliability in relation to that specific element.

3) Tax advisory services.

4) Other services.

The fees indicated in the table for the year 2018 are those contractually agreed, including any indexing (except for out-of-pocket expenses, any regulatory contributions and VAT).

In accordance with the legal provision mentioned, fees recognised to any secondary auditors or members of the respective networks are not included.

Type of services	Party that provided service		Recipient	Fees (in EUR/000)
	Independent Auditors	Other entities belonging to the network		
Accounting audit	KPMG S.p.A.		Mittel S.p.A.	177
Attestation services*	KPMG S.p.A.		Mittel S.p.A.	30
Tax advisory services				
Others - Signing of tax declarations - Review of IFRS 9-15 assessment	KPMG S.p.A.		Mittel S.p.A.	4 15
Total				**226**

(*) Attestation for financial covenants - Attestation for tax declarations - Limited audit for consolidated non-financial statement

Type of services	Party that provided service		Recipient	Fees (in EUR/000)
	Independent Auditors	Other entities belonging to the network		
Accounting audit	KPMG S.p.A.		Other Mittel Group companies	153
Attestation services *	KPMG S.p.A.		Other Mittel Group companies	6
Tax advisory services				
Others - Signing of tax declarations	KPMG S.p.A.		Other Mittel Group companies	13
Total				**172**

(*) Attestation for tax declarations

Milan, 29 March 2019

for the Board of Directors

The Chairman

(Michele Iori)

Annexes and supplementary statements

List of equity investments

	Registered office		Share capital	Nominal value	% Interest	% Availability of votes in shareholders' meeting	Business performed	€/000 Book value	End of the year	€/000 Assets Statements of financial position	€/000 Liabilities Statements of financial positions	€/000 Equity	€/000 Profit (loss) for the last year	€/000 Revenue
Investments														
Direct														
Mittel Generale Investimenti S.r.l.	Milan - Italy	EUR	17.000.000	1	27,00	27,00	Investment Holding	5.400	31 December	49.063	26.515	22.548	(1.739)	3.329
Mit.Fin S.p.A.	Milan - Italy	EUR	200.000	1	30,00	30,00	Financial	247	31 December	611	313	298	31	956
Indirect														
Superpartes S.p.A.	Brescia - Italy	EUR	331.383		11,89	11,89	Technology	474	31 December	1.212	286	926	48	473
Total								**6.121**						

Statement on the consolidated financial statements pursuant to art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

The undersigned Anna Francesca Cremascoli, the Director in charge of the risk management and internal control system, and Pietro Santicoli, the Manager in charge of financial reporting of Mittel S.p.A., also taking into account the provisions of art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, state that the administrative and accounting procedures are adequate given the Group's characteristics and were effectively applied to prepare the consolidated financial statements as at 31 December 2018.

It is also certified that the consolidated financial statements for the year ended as at 31 December 2018:

a) were drafted in compliance with the IFRS endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and books;

c) provide a true and fair view of the financial position and performance of the issuer and of the group of consolidated companies.

The Directors' Report on Operations includes a reliable analysis of the business performance and profit (loss), as well as the position of the issuer and the set of consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 29 March 2019

Director in charge of the risk management and internal control system	Manager in charge of financial reporting
Anna Francesca Cremascoli	Pietro Santicoli

Independent Auditors' Report

Please for this section refer to Italian version

Separate Financial Statements as at 31 December 2018

Statement of Financial Position (*)

Amounts in Euro

	Notes	31.12.2018	01.01.2018(**)	31.12.2017
Non-current assets				
Intangible assets	4	40.646	29.797	29.797
Property, plant and equipment	5	3.265.955	3.427.609	3.427.609
Investments	6	57.230.000	63.280.000	63.280.000
Financial receivables	7	60.428.120	69.755.662	74.287.693
Other financial assets	8	15.558.528	19.184.813	19.184.813
Sundry receivables and other assets	9	160.467	160.267	160.267
Deferred tax assets	10	4.001.493	1.493	1.493
Total non-current assets		**140.685.209**	**155.839.641**	**160.371.672**
Current assets				
Financial receivables	11	71.411.024	69.572.446	70.300.996
Current tax assets	12	4.430.784	7.660.758	7.660.758
Sundry receivables and other assets	13	9.829.909	5.877.280	5.877.280
Cash and cash equivalents	14	161.573.502	124.911.283	124.911.283
Total current assets		**247.245.219**	**208.021.767**	**208.750.317**
Total assets		**387.930.428**	**363.861.408**	**369.121.989**
Equity				
Share capital		87.907.017	87.907.017	87.907.017
Share premium		53.716.218	53.716.218	53.716.218
Treasury shares		(10.922.557)	(20.576.471)	(20.576.471)
Reserves		31.234.671	45.606.142	50.866.723
Profit (loss) for the year		43.323.501	(4.592.489)	(4.592.489)
Total Equity	15	**205.258.850**	**162.060.417**	**167.320.998**
Non-current liabilities				
Bonds	16	129.255.667	173.023.311	173.023.311
Provisions for personnel	17	881.469	776.474	776.474
Deferred tax liabilities	18	22.467	22.467	22.467
Provisions for risks and charges	19	529.246	932.770	932.770
Total non-current liabilities		**130.688.849**	**174.755.022**	**174.755.022**
Current liabilities				
Bonds	20	44.844.360	3.072.363	3.072.363
Financial payables	21	91.981	11.880.282	11.880.282
Sundry payables and other liabilities	22	7.046.388	12.093.324	12.093.324
Total current liabilities		**51.982.729**	**27.045.969**	**27.045.969**
Total equity and liabilities		**387.930.428**	**363.861.408**	**369.121.989**

(*) 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 also in the explanatory notes to these financial statements, to which reference should be made.

(**) Data at 1 January 2018 adjusted for the effects of the first-time adoption of IFRS 9

Income Statement (*)

Amounts in Euro

		31.12.2018 (12 months)	31.12.2017 (15 months)
Revenue	23	590.096	804.546
Other income	24	836.283	1.149.246
Costs for services	25	(4.681.725)	(5.205.256)
Personnel costs	26	(3.138.310)	(3.946.405)
Other costs	27	(1.118.931)	(2.260.273)
Dividends	28	47.924.528	43.230.109
Profit (loss) from management of financial assets and investments	29	6.215.245	7.626.373
Amortisation and value adjustments to intangible assets	30	(192.276)	(274.295)
Allocations to the provision for risks	31	(143.276)	(137.925)
Operating result (EBIT)		**46.291.634**	**40.986.120**
Financial income	32	5.916.247	8.460.628
Financial expenses	33	(8.072.043)	(15.161.325)
Value adjustments to financial assets and receivables	34	(5.652.794)	(10.415.271)
Value adjustments on investments	35	(3.000.000)	(31.228.344)
Profit (loss) from trading of financial assets	36	-	353.809
Profit (loss) before taxes		**35.483.044**	**(7.004.383)**
Income taxes	37	7.840.457	2.411.894
Profit (loss) for the year		**43.323.501**	**(4.592.489)**
Profit (loss) per share (in Euro)	38		
- Basic		0,546	(0,061)
- Diluted			(0,061)

(*) 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 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

	Notes	01.01.2018 31.12.2018	01.10.2016 31.12.2017
Profit/(loss) for the year (A)		**43.323.501**	**(4.592.489)**
Other comprehensive profits/(losses) which are not subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		(36.767)	70.651
Tax effect relating to other profits/(losses)		-	(19.429)
Total other comprehensive profits/(losses) which are not subsequently reclassified to profit/(loss) for the period, net of taxes (B.1)		(36.767)	51.222
Other comprehensive profits/(losses) which are subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from the redetermination of available-for-sale financial assets	15	(638.211)	(427.103)
Profits/(losses) from the transfer of available-for-sale financial assets	15	-	(2.266.042)
Release to the income statement of losses for fair value impairment of available-for-sale financial assets	15	-	-
Tax effect relating to other profits/(losses)	15	22.467	183.635
Total other comprehensive profits/(losses) which are subsequently reclassified to profit/(loss) for the period, net of taxes (B.2)		**(615.744)**	**(2.509.510)**
Total other profits/(losses), net of taxes (B)=(B.1)+(B.2)		**(652.511)**	**(2.458.288)**
Total comprehensive income/(expense) (A) + (B)		**42.670.990**	**(7.050.777)**

Statement of Changes in Equity for the year ended as at 31 December 2018

Amounts in Euro

	Share capital	Treasury shares	Capital reserves	Profit reserves	Reserve from remeasurement of defined benefit plans	Reserve from available-for-sale financial assets	Total
Balance as at 1 October 2016	**87.907.017**	**(20.576.471)**	**53.716.218**	**49.989.295**	**(156.311)**	**3.125.253**	**174.005.002**
Share capital increases	-	-	-	-	-	-	**-**
Merger transactions	-	-	-	-	-	-	**-**
Sale of treasury shares	-	-	-	-	-	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	**-**
Other changes (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**
Effects of the first-time adoption of IFRS 9	-	-	-	(4.644.838)	-	(615.743)	**(5.260.581)**
Balance as at 1 January 2018	**87.907.017**	**(20.576.471)**	**53.716.218**	**41.118.741**	**(105.089)**	**-**	**162.060.417**
Share capital increases	-	-	-	-	-	-	**-**
Merger transactions	-	-	-	-	-	-	**-**
Sale of treasury shares	-	-	-	-	-	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	**-**
Other changes (SARs)	-	-	-	(88.300)	-	-	**(88.300)**
Dividends distributed	-	9.653.914	-	(9.653.914)	-	-	**-**
Total comprehensive profit/(loss)	-	-	-	43.323.501	(36.767)	-	**43.286.734**
Balance as at 31 December 2018	**87.907.017**	**(10.922.557)**	**53.716.218**	**74.700.027**	**(141.856)**	**-**	**205.258.850**

Cash Flow Statement

Amounts in Euro	Notes	31.12.2018	31.12.2017
OPERATING ACTIVITIES			
Net profit (loss) for the year		**43.323.501**	**(4.592.490)**
Adjustments to reconcile net profit (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		(3.840.457)	(2.411.894)
Deferred taxes		(4.000.000)	-
Depreciation of property, plant and equipment		163.429	215.958
Amortisation of intangible assets		28.847	58.337
Dividends received		(47.924.528)	(43.230.110)
Financial income		(5.916.247)	(8.460.627)
Financial expenses		8.072.029	15.161.326
Allocations to provisions for risks and charges		143.276	(137.925)
Provisions for employee severance indemnity		95.585	190.327
Expenses for incentive plan with settlement option through equity instruments		111.700	366.771
Other net non-operating/monetary income/(expenses)		162.500	-
Write-downs (reversals of impairment losses) on receivables		4.183.191	8.722.195
(Gains)/losses on receivables		-	3.190
Capital (gains)/losses from transfer of investments and financial assets		(6.215.245)	(7.042.098)
Write-downs (reversals of impairment losses) on financial assets		1.469.603	1.693.076
Write-downs (reversals of impairment losses) on investments		3.000.000	31.228.344
(Gains)/losses from trading of financial assets		-	(707.618)
Cash flows from operating activities before changes in working capital		**(7.142.816)**	**(8.943.238)**
(Increase)/decrease in sundry receivables and other current assets		6.207.246	2.725.880
Increase/(decrease) in sundry payables and other current liabilities		(1.759.577)	7.420.001
Cash and cash equivalents generated (absorbed) by operating activities		**(2.695.147)**	**1.202.643**
Usage of provisions for risks and charges		(546.800)	167.820
Payments of employee severance indemnity		(37.451)	(184.094)
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**(3.279.398)**	**1.186.369**
INVESTING ACTIVITIES			
Dividends received on investments		47.709.950	43.078.408
Dividends received on financial assets		214.578	151.701
Investments in:			
Investments		-	(26.977.561)
Other financial assets		-	(300.299)
Financial assets held for trading		-	(1.470.000)
Other non-current assets (property, plant and equipment, intangible assets and other)		(41.471)	(56.253)
Realisation from disposal of:			
Investments		2.525.741	6.700.003
Other financial assets		2.156.682	14.824.242
Financial instruments held for trading		-	4.441.868
Other non-current assets (property, plant and equipment, intangible assets and other)		-	17.862
(Increase) decrease in financial receivables		4.439.161	22.052.685
Interest collected		4.782.859	6.919.405
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES		**61.787.500**	**69.382.061**
FINANCING ACTIVITIES			
Increase (decrease) in payables due to banks and other lenders		(11.788.301)	(63.659.515)
Issue (redemption) of bonds		(2.689.973)	74.430.157
Interest paid		(7.367.609)	(12.670.456)
Purchase of treasury shares		-	-
Sale of treasury shares		-	-
Change in financial liabilities		-	-
Divided payment		-	-
Capital payments		-	-
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**(21.845.883)**	**(1.899.814)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**36.662.219**	**68.668.616**
OPENING CASH AND CASH EQUIVALENTS (E)		124.911.283	56.242.667
CLOSING CASH AND CASH EQUIVALENTS (F= D+ E)		**161.573.502**	**124.911.283**

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

Amounts in Euro

	Notes	31.12.2018	*of which related parties*	*% incidence*	31.12.2017	*of which related parties*	*% incidence*
Non-current assets							
Intangible assets	4	40.646	-		29.797	-	
Property, plant and equipment	5	3.265.955	-		3.427.609	-	
Investments	6	57.230.000	-		63.280.000	-	
Financial receivables	7	60.428.120	32.054.202	53,0%	74.287.693	38.921.254	52,4%
Other financial assets	8	15.558.528	-		19.184.813	-	
Sundry receivables and other assets	9	160.467	-		160.267	-	
Deferred tax assets	10	4.001.493	-		1.493	-	
Total non-current assets		**140.685.209**	**32.054.202**	**22,8%**	**160.371.672**	**38.921.254**	**24,3%**
Current assets							
Financial receivables	11	71.411.024	71.411.024	100,0%	70.300.996	70.234.748	99,9%
Current tax assets	12	4.430.784	-		7.660.758	-	
Sundry receivables and other assets	13	9.829.909	9.029.275	91,9%	5.877.280	5.159.840	87,8%
Cash and cash equivalents	14	161.573.502	-		124.911.283	-	
Total current assets		**247.245.219**	**80.440.299**	**32,5%**	**208.750.317**	**75.394.588**	**36,1%**
Assets held for sale		-	-		-	-	
Total assets		**387.930.428**	**112.494.501**	**29,0%**	**369.121.989**	**114.315.842**	**31,0%**
Equity							
Share capital		87.907.017	-		87.907.017	-	
Share premium		53.716.218	-		53.716.218	-	
Treasury shares		(10.922.557)	-		(20.576.471)	-	
Reserves		31.234.671	-		50.866.723	-	
Profit (loss) for the year		43.323.501	-		(4.592.489)	-	
Total Equity	15	**205.258.850**	**-**		**167.320.998**	**-**	
Non-current liabilities							
Bonds	16	129.255.667	-		173.023.311	-	
Provisions for personnel	17	881.469	-		776.474	-	
Deferred tax liabilities	18	22.467	-		22.467	-	
Provisions for risks and charges	19	529.246	-		932.770	-	
Total non-current liabilities		**130.688.849**	**-**		**174.755.022**	**-**	
Current liabilities							
Bonds	20	44.844.360	-		3.072.363	-	
Financial payables	21	91.981	-		11.880.282	2.372.378	20,0%
Sundry payables and other liabilities	22	7.046.388	3.525.009	50,0%	12.093.324	2.879.087	23,8%
Total current liabilities		**51.982.729**	**3.525.009**	**6,8%**	**27.045.969**	**5.251.465**	**19,4%**
Total equity and liabilities		**387.930.428**	**3.525.009**	**0,9%**	**369.121.989**	**5.251.465**	**1,4%**

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

Amounts in Euro

		31.12.2018	*of which related parties*	*% incidence*	31.12.2017	*of which related parties*	*% incidence*
Revenue	23	590.096	574.821	97,4%	804.546	797.567	99,1%
Other income	24	836.283	589.619	70,5%	1.149.246	651.786	56,7%
Costs for services	25	(4.681.725)	(2.450.369)	52,3%	(5.205.256)	(2.317.336)	44,5%
Personnel costs	26	(3.138.310)	(982.507)	31,3%	(3.946.405)	(440.447)	11,2%
Other costs	27	(1.118.931)	(895)	0,1%	(2.260.273)	(2.785)	0,1%
Dividends	28	47.924.528	47.709.950	99,6%	43.230.109	43.078.408	99,6%
Profit (loss) from management of financial assets and investments	29	6.215.245			7.626.373		
Amortisation and value adjustments to intangible assets	30	(192.276)			(274.295)		
Allocations to the provision for risks	31	(143.276)			(137.925)		
Operating result (EBIT)		**46.291.634**			**40.986.120**		
Financial income	32	5.916.247	3.814.321	64,5%	8.460.628	5.550.853	65,6%
Financial expenses	33	(8.072.043)	5.167	-0,1%	(15.161.325)	(15.610)	0,1%
Value adjustments to financial assets and receivables	34	(5.652.794)			(10.415.271)		
Value adjustments on investments	35	(3.000.000)			(31.228.344)		
Profit (loss) from trading of financial assets	36	-			353.809		
Profit (loss) before taxes	-	**35.483.044**			**(7.004.383)**		
Income taxes	37	7.840.457			2.411.894		
Profit (loss) for the year	-	**43.323.501**			**(4.592.489)**		

Explanatory Notes

1. General information

Mittel S.p.A. (hereinafter also the "Company") is an Italian limited company registered in the Milan Register of Companies.
It is the Parent Company with a direct interest, or indirect through other sub-holdings, in the share capital of the companies that operate in the same business sectors as the Company does.
The registered office is at Piazza Diaz 7, Milan.
The core business of the company and its subsidiaries is indicated in the descriptive section of the Directors' Report on Operations.
These separate financial statements are expressed in Euro.
As Parent Company, Mittel S.p.A. has also prepared the consolidated financial statements of Mittel S.p.A. as at 31 December 2018.

2. Form and content of the financial statements

The separate financial statements are composed of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, accompanied by the explanatory notes. The Income Statement was drafted in line with the minimum contents of IAS 1 - Presentation of Financial Statements - with classification of costs by nature; the Statement of Financial Position was prepared according to the layout which highlights the breakdown of 'current/non-current' assets and liabilities; the Cash Flow Statement was drafted using the indirect method.
The separate financial statements for the year ended 31 December 2018 were drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union as at 31 December 2018, and the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. IFRS also mean all revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").
The financial statements were prepared on the basis of the general historical cost principle, amended as required for the valuation of certain financial instruments. The Directors established that, despite the presence of a difficult economic and financial context, no significant uncertainties existed, as defined by paragraph 25 of IAS 1, regarding the going concern assumption.

3. Main accounting standards adopted by the Parent Company

Intangible assets (IAS 38)

Intangible assets are identifiable non-monetary assets without physical substance, held to be used in a multi-year or indefinite period. These are recorded at cost, adjusted for additional expenses only if it is probable that the future economic benefits that are attributable to the asset will be realised and if the cost of the asset can be measured reliably. In the opposite case, the cost of the intangible asset is booked to the income statement in the year in which it was incurred.
The cost of intangible assets with a finite useful life is amortised using the straight-line method on the basis of the relative useful life.
If the useful life is indefinite, no amortisation is carried out, but solely the periodic verification of the adequacy of the book value of the fixed assets. Intangible assets originating from software developed internally and acquired from third parties are amortised on a straight-line basis, effective from the completion and entry into operation of the applications based on the relative useful life. At each reporting date, in the presence of impairment, the recoverable value of the asset is estimated.
The amount of the loss, booked in the income statement, is equal to the difference between the asset's book value and its recoverable value.
An intangible asset is derecognised from the statement of financial position on disposal or when no future economic benefits are expected from its use.

Development costs refer to new product innovation projects and are recorded under assets in compliance with the considerations of IAS 38, i.e.:
- demonstrability of the technical feasibility of the products;

- intention of the company to complete the development project;
- reliable determination of the costs incurred for the project;
- recoverability of the values recorded through the future expected benefits from completion of the development project.

It should be noted that said item includes intangible assets under development to be amortised starting from the year their useful life starts.

Property, plant and equipment (IAS 16)

Property, plant and equipment are initially measured at cost which includes not only the purchase price, but all additional expenses directly attributable to the purchase and to bringing the asset to working condition for its intended use.
Extraordinary maintenance costs which involve an increase in future economic benefits are booked to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

Property, plant and equipment include operating premises, plants, furniture, fittings and equipment of any type.
Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.
Property, plant and equipment are valued at cost, less any accumulated depreciation and impairment.
Property, plant and equipment are systematically depreciated over their useful life, by adopting the straight-line method.

The depreciation rates used by the company are as follows:
- Buildings 3.0%
- Vehicles 25.00%
- Furniture and fittings 12.00%
- Electronic machines 33.33%
- Equipment 15.00%.

Land is not depreciated as it has an indefinite useful life.

Capitalisable costs for improvements to leased third-party assets are attributed to the asset classes to which they refer and amortised at the lower of the residual term of the rental agreement and the residual useful life of the asset to which the improvement relates. At each reporting date, testing must be performed for any signs of impairment, or indications that show that an asset may have been impaired.
If there are signs of impairment, a comparison is made between the book value of the asset and its recoverable value, equal to the higher of the fair value, less costs to sell, and the associated value in use of the asset, understood as the present value of future cash flows originating from the asset. Any adjustments are booked to the income statement. If the reasons for the recognition of the loss no longer exist, the value is revised, which cannot exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment.
Property, plant and equipment are derecognised from the statement of financial position on disposal.
Profits and losses deriving from transfers or disposals of assets are determined as the difference between the sales revenue and the net book value of the assets and are recognised in the income statement in the year.

Leasehold improvements are classified under property, plant and equipment, consistent with the nature of the cost incurred. The depreciation period corresponds to the shorter of the residual useful life of the tangible asset and the residual duration of the lease.

Investments in subsidiaries and associates (IFRS 10, IAS 27 and IAS 28)

Investments in subsidiaries and associates are recognised at cost, adjusted for any impairment. The positive difference emerging at the time of purchase between the acquisition cost and the share of equity at current values of the investment and pertaining to the company is therefore included in the book value of the investment.

Investments in subsidiaries and associates are subject to impairment testing each year, or more frequently if necessary. If there are indications that any of the investments has suffered impairment, this is recognised in the income statement as a write-down.
If the share of investee's losses pertaining to the company exceeds the book value of the investment, and the company has an obligation or intends to cover them, the value of the investment is impaired in full and the share of the residual losses is recognised as a provision under liabilities.
If in the future the impairment loss no longer applies or reduces, it is reversed in the income statement up to the cost limit.

Financial assets (IAS 32 and IFRS 9)

On initial recognition, a financial asset can be classified as:

(i) an asset measured at amortised cost – *"Hold to Collect"*,

(ii) an asset measured at fair value with recognition in the income statement – *"Trading/Other"* and lastly,

(iii) an asset measured at *fair value* with recognition in shareholder's equity – *"Hold to Collect & Sell"*.

The Company's classification is based on the entity's business model for managing financial assets and on the characteristics of contractual cash flows of financial assets.

With reference to the business model, this is determined by the Company for accounting purposes, in order to reflect the way in which financial assets are effectively managed to pursue company objectives.

The characteristics of contractual cash flows are verified through the SPPI test ("Solely Payments of Principal and Interest on the principal amount outstanding"), introduced by the new accounting standard IFRS 9 in order to verify whether a financial asset can be considered a "basic credit agreement" and therefore the contractual cash flows consist exclusively of payments of principal and interest accrued on the amount of principal to be repaid.

Receivables (assets measured at amortised cost)

A receivable shall be measured at amortised cost if both of the following conditions are met and it is not designated to FVTPL:

- the financial asset is held within the framework of a business model whose objective is the possession of financial assets aimed at collecting the relative contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

Loans and receivables are initially recognised when the right to receive the payment of the contractually agreed sums is acquired and, therefore, at the time of the disbursement. The initial book value coincides with the fair value of the asset, normally equal to the amount disbursed, including costs/income directly attributable to the individual instrument and determinable from the origin of the transaction, even if settled at a later date. Trade receivables without a significant loan component are initially measured at transaction price, as an exception to the general principle of initial recognition at fair value.

Following initial recognition, receivables are valued at amortised cost, equal to the initial recognition value, net of principal repayments, increased or decreased by impairment losses or reversal of impairment losses and amortisation calculated using the effective interest rate method.
The effective interest rate is the rate that matches the present value of the future cash flows of the receivable, for principal and interest, to the amount disbursed, including costs/income attributable directly to the receivable.

The amortised cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period as are any gains or losses on derecognition.

Loans and receivables are derecognised from assets only if (i) the contractual rights to the cash flows deriving from the financial assets expire or (ii) the Company transfers all risks and rewards related to the financial assets.

If it is not possible to ascertain the substantial transfer of the risks and rewards, the receivables are derecognised in the event no type of control is retained over said loans and receivables. In the opposite case, the maintenance of control, including partial, involves the retention of the loans and receivables in the financial statements to the extent of the Group's continuing involvement. The value of the continuing involvement in the transferred receivables corresponds to the extent to which the Group is exposed to a change in the value of said receivables.

Depending on their nature and expiry, loans and receivables are classified into the following items:
- financial receivables;
- sundry receivables and other assets.

Where, at the time of the recognition, the collectability of the loans and receivables is contractually established as after one year, these are classified under "non-current" assets. Loans and receivables falling due within one year are classified under "current" assets.

Other financial assets - assets measured at FVOCI

A financial asset shall be measured at FVOCI if both of the following conditions are met and it is not designated to FVTPL:
- the financial asset is held within the framework of a business model whose objective is achieved both by the collection of contractual cash flows and by the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

On initial recognition of an equity instrument not held for trading purposes, the Company may make an irrevocable decision to present subsequent changes in fair value in other components of the statement of comprehensive income. This decision is made for each investment.

Financial assets are initially recognised at the settlement date. The initial measurement is at fair value, to which are added the transaction costs directly attributable to the acquisition of the financial asset.

This category of financial assets is subsequently measured at fair value:
- for debt securities, interest income calculated under the effective interest method, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period. Other net profits and losses are recognised in other components of the statement of comprehensive income. On derecognition, gains and losses accumulated in other components of the statement of comprehensive income are reclassified to profit/(loss) for the period;
- for equities, dividends are recognised in profit/(loss) for the period unless they clearly represent a recovery of part of the investment cost. Other net profits and losses are recognised in other components of the statement of comprehensive income and are never reclassified to profit/(loss) for the period.

For the determination of the fair value, a three-level hierarchy is envisaged:
1) Listing on an active market, not adjusted. An active market is one where prices, which reflect normal market transactions, are quickly and regularly available via Stock Markets, Brokers, Intermediaries, Sector companies, Listing services or authorised entities and express the price of actual, adequate, continuous and regular market transactions that occur within a normal reference period.
2) Recognition of the fair value through components observable directly or indirectly on a listed market. In the event that the components used contain elements not observable directly on the market and/or adjusted, the significance of the same is established with respect to the fair value to define whether said fair value can be considered second or third level.
3) The use of estimate methods and evaluation models commonly adopted by the international financial community which take account of the specific characteristics of the instrument to be evaluated, with particular focus on the different types of risk associated with it and simultaneously use values not taken from the market and involve estimates and assumptions.

Based on the time frame for sale (within or beyond twelve months from the reporting date), financial assets belonging to this category are classified under "Other financial assets" in current or non-current assets.

Financial assets are derecognised when the contractual rights to the cash flows derived from said assets expire or when the financial asset is transferred, transferring substantially all related risks and rewards.

Other financial assets – assets measured at FVTPL

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. On initial recognition, the Company may irrevocably designate the financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise result from measuring the financial asset at amortised cost or at FVOCI.

Financial assets are initially recognised at the settlement date. Initial measurement is at fair value.

Subsequent measurement is at fair value. Net profits and losses, including dividends or interest received, are recognised in profit/(loss) for the period.

For a distinction between the levels of the fair value hierarchy, reference should be made to the information provided above in relation to assets measured at FVOCI.

Financial assets are derecognised when the contractual rights to the cash flows derived from said assets expire or when the financial asset is transferred, transferring substantially all related risks and rewards.

Cash and cash equivalents (IAS 7, IAS 32 and IFRS 9)

Cash and cash equivalents include bank and postal deposits, cash in hand and other forms of short-term investment, originally expiring in three months or earlier. Bank overdrafts are classified under financial payables in current liabilities. Elements included under cash and cash equivalents are measured at fair value and the associated changes booked to the income statement.

Non-current assets held for sale (IFRS 5)

Non-current assets held for sale are measured at the lower of their previous net book value and the market value less costs to sell. Non-current assets are classified as held for sale when it is expected that their book value will be recovered through a disposal transaction rather than their use in the company's business operations. This condition is satisfied only when the sale is considered highly probable, and the asset is available for immediate sale in its current condition. For this purpose, management must be committed to sell, with the sale to be concluded within 12 months from the date of classification under this item.
Presentation in the financial statements of such assets envisages inclusion on a single profit or loss line of the income statement, net of taxes resulting from the disposal. Likewise, assets and liabilities are classified on separate lines in the statement of financial position.

Derecognition of financial assets and liabilities

Financial assets:

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

- the rights to receive the cash flows from the asset expire;
- the Company retains the right to receive the cash flows of the asset, but assumes a contractual obligation to pay the cash flows in full and without delay to a third party;
- the Company has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In cases where the Company has transferred the rights to receive the cash flows from an asset and has neither transferred nor substantially retained all the risks and rewards or has not lost control of the asset, the asset is recognised in the company's financial statements to the extent of its continuing involvement in the financial asset. Continuing involvement which takes the form of guaranteeing the transferred asset is measured at the lower of the initial book value of the asset and the maximum amount of the consideration that the Group could be required to repay.

Financial liabilities:

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Payables and Bonds (IAS 32 and IFRS 9)

These financial liabilities are initially recognised at the time the contract is signed, which coincides with the moment the sums collected are received.
Liabilities are initially recognised on the basis of the fair value, normally equal to the amount collected or the issue price, increased or decreased by additional costs/income directly attributable to the individual funding transaction and not repaid to the creditor. Internal administrative costs are excluded.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Depending on their nature and expiry, liabilities are classified into the following items:
- bonds;
- financial payables;
- sundry payables and other liabilities.

Where, at the time of the initial recognition, the collectability of the payable is contractually established as after one year, these are classified under “non-current” liabilities. Payables falling due within one year or indeterminate are classified under “current” liabilities.

Other financial liabilities (IAS 32 and IFRS 9)

Financial liabilities are initially recognised at the settlement date both for debt securities and for derivative contracts.
Upon initial recognition, financial liabilities held for trading are recorded at their fair value which normally corresponds to the consideration collected without taking into account the transaction costs or income directly attributable to said instrument which are, instead, booked directly in the income statement.
Debt securities and the negative value of derivative contracts (with the exception of those designated as hedging instruments) are classified in this category.
After initial recognition, financial liabilities held for trading are measured at fair value, with the recognition of changes through profit or loss.
For the determination of the fair value of financial instruments listed in an active market, market prices are used. In the absence of an active market, estimates and generally accepted valuation models are used, and which are based on observable market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounting of future cash flows, models for the determination of option prices and values recorded in recent comparable transactions.
Financial liabilities are derecognised when they expire or are extinguished also against purchases of the same securities. The difference between the book value of the liability and the amount paid to acquire it is recorded in the income statement.

Provisions for personnel (IAS 19)

The employee severance indemnity (TFR) is considered a defined benefit plan. Benefits guaranteed to employees are recognised
monthly on an accrual basis and disbursed at the time of termination of employment.
The severance indemnity is accrued on the basis of the seniority reached at the end of the year by each individual employee in compliance with the laws and labour agreements in force at the reporting date. The accrual reflects the actual amount due to employees, based on the seniority accrued and salaries paid, recalculated on the basis of its actuarial value. The actuarial evaluations adopted are the best estimates regarding the variables that determine the final cost of the services after the termination of employment.
For discounting purposes, the Group uses the projected unit credit method which projects future disbursements on the basis of historical statistical analysis and the demographic curve and the financial discounting of these flows on the basis of a market interest rate. Actuarial gains and losses are recognised in the valuation reserve following the adoption of IAS 19 (revised).

Share-based payment arrangements (IFRS 2)

As part of the medium/long-term incentive plans, payment arrangements are envisaged for the Chief Executive Officer of Mittel S.p.A. and management with share-based payments on shares representing capital, consisting of the assignment of rights which, subject to the predefined conditions being met and at the end of the last year of the vesting period, offer beneficiaries the right to obtain the cash equivalent or, at the discretion of the Board of Directors, the equivalent in the form of Company's shares.
In particular, the long-term variable incentive plan is based on the assignment of Stock Appreciation Rights (SARs), the value of which depends on the Mittel S.p.A. share performance. This plan envisages that, subject to predefined conditions being met, the beneficiaries can receive the equivalent in cash or in shares of the increase in value of the Company's ordinary share.
The fair value of transactions involving share-based payments settled in the form of equity instruments is recognised as a cost in the income statement under personnel costs or service costs as a balancing entry to the related item in equity, proportionally according to the period in which the service is provided and in consideration of the conditions established in the Incentive Plan regulations that offer the Company the option of choosing between cash settlement or the issue of equity instruments.

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 prices deriving from said transactions are recorded among equity reserves.

Income taxes (IAS 12)

The effects relating to current and deferred taxes calculated in compliance with national tax legislation based on the accruals principle are recognised, consistently with the methods of recognition in the financial statements of the costs and revenue that generated them, by applying the applicable tax rates.
Income taxes are recorded in the income statement, with the exception of those relating to items debited from or credited directly to equity.
The provision for income taxes is determined on the basis of a prudential forecast of current and deferred tax assets and liabilities.
In particular, current taxes include the net balance of current liabilities in the year and current tax assets represented by payments on account and other tax credits for withholding tax.
Deferred tax assets and liabilities are determined on the basis of temporary differences - with no time limits - between the carrying amount of an asset or a liability and their tax base.
Deferred tax assets are recognised in the financial statements to the extent they are likely to be recovered, measured on the basis of the capacity of the relevant company or group of companies, due to exercise of the "tax consolidation" option, to generate taxable profit on an ongoing basis.
Deferred tax assets and liabilities are accounted for at equity level by carrying out offsets at said tax level and for each year by taking into account the time profile of expected repayment.
In years in which the deductible temporary differences are higher than the taxable temporary differences, the associated deferred tax assets are recorded under assets in the statement of financial position, in the item deferred tax assets. By contrast, in years in which the taxable temporary differences are higher than the deductible temporary differences, the associated deferred tax liabilities are recorded under liabilities in the statement of financial position, in the item deferred tax liabilities.
Deferred tax assets and liabilities are systematically measured to take account of any changes to the regulations or the tax rates. In addition to the allocation of current and deferred taxes, the Company monitors, in line with IAS 37, any risks that may result from tax assessments already announced or, in any case, ongoing disputes with the tax authorities.

Provisions for risks and charges (IAS 37)

Accruals to the provision for risks and charges are made exclusively when:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required in order to fulfil the obligation;
- the amount of the obligation can be reliably estimated.

Where the time factor is significant, the provisions are discounted. The allocation to the provision is recorded in the income statement. Interest expense accrued on provisions that have been discounted is also recorded in the income statement.
"Other provisions" include allocations to cover presumed losses on legal proceedings in which the company is the defendant and any claw-back claims; estimated disbursements for customer complaints relating to

activities; other estimated disbursements in respect of existing legal or constructive obligations at the reporting date.

Revenue recognition (IFRS 15)

Sales of products and services

Revenue from the sale of products or services is recognised when the commitments laid down in the relative contracts are met. In particular, the following fundamental steps are required for the recognition of revenue:

- identification of the contract with the customer;
- identification of the contract's performance obligations;
- pricing;
- allocation of the price to the contract's performance obligations;
- revenue recognition when the entity satisfies every performance obligation.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. The enforceability of rights and obligations in the contract shall be governed by the law. The contract may be written, oral or implied from the entity's usual commercial practices.

At the initiation of the contract, the goods or services promised in the contract agreed with the customer are valued and a performance obligation is promised to transfer to the customer:

- a distinct good or service (or combination of goods and services), or
- a set of distinct goods or services which are substantially similar and follow the same pattern of transfer to the customer.

In determining the transaction price, account shall be taken of the terms of the contract and its usual commercial practices. The transaction price is the amount of consideration the entity believes it is entitled to in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected on behalf of others (e.g., sales taxes). The consideration promised in the contract with the customer may include fixed amounts, variable amounts or both. To estimate the amount of the variable consideration, the Group assesses the use of one of the following two methods, from time to time choosing the method that makes it possible to better predict the amount of consideration to which it will be entitled:

- the expected value, which is the sum of the amounts weighted by probability within a range of possible consideration amounts;
- the most probable amount, being the most probable amount within a range of possible consideration amounts (i.e. the most probable outcome of the contract).

The transaction price includes all or part of the variable consideration only to the extent that it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, there will be no significant downward adjustment to the amount of the accumulated revenue recognised.
In determining the transaction price, the entity shall adjust the promised amount of the consideration to take account of the effects of the time value of money if the payment terms agreed by the parties to the contract (explicitly or implicitly) offer the customer or entity a significant benefit in terms of financing the transfer of the goods or services to the customer. In this case, the contract contains a significant financing component.

For the purposes of allocating the transaction price, each performance obligation (or each separate good or service) is attributed an amount that reflects the consideration amount to which the entity expects to be entitled, in return for the transfer of the promised goods or services to the customer. In order to achieve the objective of the allocation, the transaction price is allocated, if necessary, between each of the commitments identified in the contract on the basis of the related stand-alone selling price.

Revenue is recognised when (or as) the performance obligation is met by transferring the promised good or service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer acquires control of it. Control of the good or service is transferred over time, and therefore fulfils the performance obligation and revenue is recognised over time, if one of the following criteria is met:

- the customer simultaneously receives and uses the benefits deriving from the Company's services as they are provided;
- the Company's performance creates or improves the asset (for example, work in progress) that the customer controls as the asset is created or improved; or
- the Company's performance does not create an asset that presents an alternative use for the Group.

For every performance obligation fulfilled over time, the Company recognises revenue over time, evaluating progress towards complete fulfilment of the performance obligation.

Interest

Interest is recognised on a *pro-rata temporis* basis, based on the contractual interest rate or the effective interest rate in the case of application of the amortised cost method.

Dividends

Dividends are recorded at the time the right to collection arises, which normally corresponds to the shareholders' meeting resolution on the distribution of dividends.

Earnings per share (IAS 33)

Basic earnings per share are determined on the basis of the ratio of profit for the year attributable to Shareholders of the company's ordinary shares to the weighted average number of ordinary shares outstanding in the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to take account of all potential ordinary shares, deriving, for example, from the possibility of exercising stock options assigned, which may have a dilutive effect.

Use of estimates

Preparation of the financial statement and the notes, under IFRS requires management to use estimates and assumptions that affect the carrying amount of statement of financial position assets and liabilities and information relating to the contingent assets and liabilities.
The estimates and assumptions used are based on experience and other factors considered relevant. The actual results may, therefore, differ from said estimates. The estimates and assumptions are reviewed periodically and the effects of each change made to them are reflected in the income statement in the period in which the estimate revision takes place if said revision only has an impact on that period, or also in subsequent periods if the revision has an effect on both the current and future years.
The main items in the financial statements affected by this estimation process are deferred taxes and the fair value of financial instruments.
Please refer to the specific areas for more details.

Main sources of uncertainty in making financial statement estimates

The critical valuation processes and key assumptions used by the Company in the IAS/IFRS application process are summarised below.

Discretional choices in the accounting standard application process

Impairment losses - receivables and other financial assets

Following the first-time adoption of IFRS 9, the Company applies the expected credit loss (ECL) model in accordance with the new standard, replacing the incurred loss model in accordance with IAS 39.
The new impairment loss model applies to financial assets measured at amortised cost or at FVOCI, with the exception of equities and assets arising from contracts with customers. Financial assets measured at amortised cost include financial and trade receivables, cash and cash equivalents and debt securities.

Specifically, the new accounting standard establishes that, for financial assets not measured at fair value through profit or loss, value adjustments are determined on the basis of the expected loss at 12 months and, if a significant increase in credit risk is observed with respect to the date of initial recognition, on the basis of the expected loss determined over the entire residual life of the financial instrument. On the basis of these elements, financial assets are divided into three stages:

- stage 1 includes performing financial instruments for which there has been no significant increase in credit risk since the date of initial recognition. A 12-month ECL is then calculated, namely the ECL that results from a possible default over a 12-month period from the end of the reporting period;
- stage 2 includes performing financial instruments for which there has been a significant increase in credit risk since the date of initial recognition. In this case, so-called “lifetime” ECLs will be applied, i.e. ECLs resulting from all possible defaults over the expected life of a financial instrument;
- stage 3 includes non-performing financial instruments. The measurement will be determined analytically on the basis of the loss calculated on the residual life of the instrument.

For further information on the method used to apply the expected loss model in the impairment process, reference should be made to paragraph (2.4) in the consolidated explanatory notes dedicated to the first-time adoption of IFRS 9.

A summary of the impacts of first-time adoption on the separate financial statements is provided below, represented by:

- the reclassification from the IAS 39 - Available for sale portfolio to the IFRS 9 - Assets measured at fair value through profit or loss portfolio of the entire portfolio of non-current financial assets equal to EUR 19.2 million;
- the recognition of an additional allowance for impairment on financial receivables (current and non-current) of approximately EUR 5.3 million, under the Expected Loss model provided for by IFRS 9, replacing the Incurred Loss model provided for by IAS 39.

Dati in Euro '000		**Impatti IFRS 9**		
Voce di bilancio	**31/12/2017**	**Classification & Measurement**	**Impairment (ECL)**	**01/01/2018**
Attivo				
Crediti finanziari non correnti	74.288		(4.532)	69.756
Altre attività finanziarie non correnti	19.185	-		19.185
- attività finanziarie FV OCI	*19.185*	*(19.185)*		*-*
- attività finanziarie FV PL	*-*	*19.185*		*19.185*
Crediti finanziari correnti	70.301		(729)	69.572
Totale impatti IFRS 9		*-*	***(5.261)***	
Passivo e patrimonio netto				
Riserve	50.867	-	(5.261)	45.606
- Riserva da valutazione OCI IAS 39 (Gruppo)	*616*	*(616)*		*-*
- Altre riserve	*50.251*	*616*	*(5.261)*	*45.606*
Totale impatti IFRS 9		*-*	***(5.261)***	

Recoverable value of non-current assets (including goodwill)

Non-current assets include property, plant and equipment and intangible assets (including goodwill), equity investments and other financial assets. Management periodically reviews the book value of the non-current assets held and used and the assets which must be disposed of, when facts and circumstances require said revision. This activity is performed by using estimates of expected future cash flows from the use or sale of the asset and adequate discount rates for the calculation of the present value. When the book value of a non-current asset has undergone impairment, the Company records an impairment loss for the value of the excess of the book value of the asset over its recoverable value through use or sale of the same, determined with reference to more recent plans.

Realisability of deferred tax assets

The Company records the deferred tax assets up to the value for which it deems their recovery likely, also taking into account a further worsening in the assumptions envisaged over a medium-term period and the fact that the net deferred tax assets allocated refer to temporary differences/tax losses which can be recovered.

The forecasts are based on taxable income that can be generated with reasonable certainty in light of budget results and the forecasts for subsequent years which consider the reasonable expectation of implementation of the planned transactions.
For further details, please refer to note no. 10.

Receivables

For loans and receivables and other assets evaluations are regularly performed in order to verify the existence of objective evidence that these have been impaired. In particular, in measuring receivables, account is taken of creditor solvency and of the characteristics of credit risk which is indicative of the individual debtor's payment capacity. Any impairment is recorded as cost in the income statement for the year.
Non-current loans and receivables, trade receivables and other receivables originated by the Company fall into this category. The estimate of the allowance for impairment is based on expected losses by the Company, determined on the basis of past experience with similar receivables, losses and collections.

Contingent liabilities

The Company is potentially a party in legal disputes in relation to which, considering the inherent uncertainties, it is difficult to predict with any certainty the disbursement involved with these disputes. Legal proceedings and disputes derive from complex legal problems, which are subject to a different degree of uncertainty, including facts and circumstances concerning each case. The Company identifies a liability in respect of these disputes when it believes that the dispute will result in a financial outlay and when the amount of the resultant losses can be reasonably estimated. In the event in which a financial outlay becomes possible but the amount cannot be determined, this is reported in the explanatory notes.

Changes in accounting estimates

Pursuant to IAS 8, changes in accounting estimates are booked prospectively in the income statement starting from the year in which they are adopted. It should be noted that the period 1 January 2018 – 31 December 2018 was not characterised by changes to the estimation criteria already applied to draft the financial statements as at 31 December 2017.

Information on the Statement of Financial Position

Non-current assets

4. Intangible assets

This item totalled EUR 41 thousand (EUR 30 thousand as at 31 December 2017). The overall increase compared to the previous year was EUR 11 thousand.

The breakdown of this item is as follows:

	Goodwill	Trademarks	Plant	Concessions and licences	Other	Total
Values as of 01.01.2018				**2.497**	**27.300**	**29.797**
Changes in the year:						
- acquisitions				9.946	29.750	**39.696**
- amortisation				(3.330)	(25.517)	**(28.847)**
Total changes	**-**	**-**	**-**	**6.616**	**4.233**	**10.849**
Values as at 31.12.2018				**9.113**	**31.533**	**40.646**

5. Property, plant and equipment

This item totalled EUR 3,266 thousand (EUR 3,428 thousand as at 31 December 2017). The overall decrease from the prior year is EUR 162 thousand, primarily due to the recognition of depreciation for the year and, for EUR 7 thousand, the effect of disposals during the year.

More specifically, the item saw the following changes:

	Land and buildings	Investment property	Plant and machinery	Office machines and equipment	Other assets	Total
Values as of 01.01.2018	**3.234.834**	**-**	**-**	**124.385**	**68.390**	**3.427.609**
Changes in the year:						
- acquisitions				7.337		**7.337**
- disposals					(5.562)	**(5.562)**
- amortisation	(109.026)			(34.171)	(20.232)	**(163.429)**
Total changes	**(109.026)**	**-**	**-**	**(26.834)**	**(25.794)**	**(161.654)**
Values as at 31.12.2018	**3.125.808**	**-**	**-**	**97.551**	**42.596**	**3.265.955**

6. Investments

This item totalled EUR 57,230 thousand (EUR 63,280 thousand as at 31 December 2017). The overall decrease was EUR 6,050 thousand.
The breakdown of this item is as follows:

	31.12.2018	31.12.2017
Earchimede S.p.A.	13.500.000	13.500.000
Mittel Investimenti Immobiliari S.r.l.	7.000.000	10.000.000
Mittel Generale Investimenti S.r.l.	5.400.000	5.400.000
Mittel Advisory S.r.l.	2.350.000	2.000.000
Ghea S.r.l.	2.805.000	2.805.000
Locaeffe S.r.l. in liquidation	-	2.450.000
Mittel Advisory Debt and Grant S.r.l.	-	200.000
Bios S.p.A.	-	750.000
Mit.Fin S.p.A.	50.000	50.000
Mittel Design S.r.l.	1.000.000	1.000.000
IMC S.p.A.	11.625.000	11.625.000
Gruppo Zaffiro S.r.l.	13.500.000	13.500.000
	57.230.000	**63.280.000**

The changes in investments during the year are illustrated in the following table:

Company name	% Interest	Balances at 01.01.2018	Purchases and subscriptions	Sales, repayments and reversals	Dividends and reserves distributed	*Pro-rata* profit (loss)	Gains (losses) from disposals	Impairments	Other changes	Balances at 31.12.2018
Investments										
Ghea S.r.l.	51%	2.805.000								2.805.000
Mittel Investimenti Immobiliari S.r.l.	100%	10.000.000						(3.000.000)		7.000.000
Mittel Advisory Debt & Grant S.r.l.	100%	200.000	150.000						(350.000)	0
Mittel Generale Investimenti S.r.l.	27%	5.400.000								5.400.000
Mit.Fin S.p.A.	30%	50.000								50.000
Mittel Advisory S.r.l.	100%	2.000.000							350.000	2.350.000
Locaeffe S.r.l. in liquidation	100%	2.450.000		(2.450.000)						0
Markfactor S.r.l. in liquidation	100%	0								0
Earchimede S.p.A.	85%	13.500.000								13.500.000
Bios S.p.A.	50%	750.000		(750.000)						0
Mittel Design S.r.l.	100%	1.000.000								1.000.000
IMC S.p.A.	75%	11.625.000								11.625.000
Gruppo Zaffiro S.r.l.	75%	13.500.000								13.500.000
Total investments		**63.280.000**	**150.000**	**(3.200.000)**				**(3.000.000)**	**-**	**57.230.000**

The change in this item is essentially due to the effect of:
- reductions totalling EUR 3.2 million for the final liquidation of the investee Bios S.p.A. (EUR 0.8 million), which resulted in a substantial collection of dividends (EUR 44.7 million), and from Locaeffe S.r.l. (EUR 2.5 million), which distributed EUR 3.0 million during the year and resulted in a net contribution to the income statement of an additional EUR 0.6 million;
- a decrease of EUR 3.0 million due to impairment test performed on the investee Mittel Investimenti Immobiliari S.r.l.

Impairment test of the recoverable value of investments

Investments in subsidiaries and associates recognised at cost are subjected to impairment tests in accordance with rules envisaged in IAS 36.
According to IAS 36, the recoverable value is represented by the higher between the fair value of the investment, net of costs to sell, and its value in use. Therefore, for the impairment testing of investments recognised in the separate financial statements it is necessary to verify that the recoverable value of the investment is higher than its book value.
According to IAS 36, the existence of significant changes should be verified, with negative effects, in the financial market targeted by the subsidiaries' activities, considered such that the economic performance of the investees could reasonably prove to be more unfavourable than expected.

The impairment tests were performed on the investments held by Mittel S.p.A. for which indicators of impairment were identified as established by IAS 39 and IAS 36, essentially referring to events indicating the existence of a considerable decrease in expected cash flows on the equity investment compared to the time of their initial recognition.

In particular, in 2018 events that could possibly indicate impairment were found solely in relation to Mittel Investimenti Immobiliari S.r.l., for which the loss identified and the resulting deterioration in assets constitute, for purposes of IAS 36, a factor of presumed impairment, resulting in a decrease in equity in the presence of an unchanged book value of the investment. The particular nature of the impairment indicators found objectively also determines the criteria for estimating impairment losses, thereby simplifying the related procedures.

	Book value subject to impairment testing	Adjustments for impairment value	Recoverable value
	EUR	*EUR*	*EUR*
Investments in subsidiaries:			
Mittel Investimenti Immobiliari S.r.l.	10.000.000	(3.000.000)	7.000.000
	10.000.000	**(3.000.000)**	**7.000.000**

Impairment test of the controlling interest in Mittel Investimenti Immobiliari S.r.l.

The company operates in the Real Estate sector, making investments in the residential and tertiary sectors, both directly and through investee companies.
The result for the year ended 31 December 2018 shows a loss of EUR 3.2 million, compared to a loss of EUR 7.6 million for the year ended as at 31 December 2017 (15-month financial year). The company posted revenues of EUR 12.2 million, which were partially offset by changes in inventories that were overall negative for EUR 10.5 million and operating costs that totalled EUR 3.0 million, which were, however, heavily influenced by non-recurring costs related to a commercial relaunch process that was implemented during the year for initiatives in the portfolio. The operating result, negative for EUR 1.3 million, was offset by a tax benefit of an equivalent amount, deriving from the recognition of current and previous tax losses and surpluses of interest expense that are deductible as part of the Group’s tax consolidation. Thus, the loss for the year is essentially explained by the value adjustments on investments for EUR 1.7 million (EUR 7.7 million in the prior year) and by net financial expenses of EUR 1.5 million (net financial income of EUR 0.4 million in the comparison period, when financial charges on passive investments with the Parent Company Mittel S.p.A. were offset by financial income for subsidiaries that have since been merged). The adjustments on investments refer to the effect of updating the estimated recoverable value of residual investments after the merger, made on the basis of the companies’ equity, which in turn incorporate the valuation of their property inventories. The property inventories held by the investees mentioned as well as those owned directly (including following the aforementioned mergers) were valued with the help of an external appraiser. Equity as at 31 December 2018 amounted to EUR 7.2 million, compared to EUR 10.3 million as at 31 December 2017.

Considering the loss for the year and the events resulting in presumed impairment, the value at cost of the investment was impairment tested at the end of the year in accordance with IAS 36.

Mittel S.p.A. therefore decided to perform impairment tests, assuming a reference recoverable value which, in the absence of a fair value directly expressing listed prices on an active market, took into consideration an estimate of the investment’s equity value in reference to its value in use.
In particular, for the purpose of the impairment test, the recoverable value of the equity investment was estimated using a measurement of the equity value determined as the sum of parts of the current equity value of the business group led by Mittel Investimenti Immobiliari S.r.l.
Using this methodology, the equity value of a company is equal to the sum of:

- the enterprise value, represented by the current value in use and the comparative current market value of the portfolio of real estate initiatives held directly and through subsidiaries, considering the results of specific appraisals from an external expert of the respective estimated realisable value or current fair value;

- the market value of any surplus assets not related to core business or not considered, for specific method-related reasons, among cash flows from operations of the companies classed as subsidiaries of Mittel Investimenti Immobiliari S.r.l.;
- the total net financial position of the companies classed as subsidiaries of Mittel Investimenti Immobiliari S.r.l. expressed on the basis of the financial assets at the actual market values as at 31 December 2018 (in order to perform an equity side valuation).

The economic value attributed to the different real estate initiatives in the real estate portfolios was determined predominantly on the basis of future cash flows that can be generated from the sale of the properties, with particular reference to the current estimated realisable value of the real estate initiatives held for sale.
More specifically, for “property development” projects, the criteria adopted by the external experts involved the use of the Transformation Method which is based on the discounting, at the estimate date, of the cash flows generated by the property transaction over the period of time corresponding to its duration, by using the appropriate discount rates, the financial components and business risk of the transaction. Given that the cash flows are the result of the difference between revenue and costs, more concisely, the value of the initiative determined using this method may be defined as the difference between the value of the transformed property and the costs incurred for its transformation.
For properties that are available to be appraised in their *de facto* and *de iure* situation without significant structural interventions or changes in use, the Discounted Cash Flow Analysis Method was used. The method is based on the assumption that no rational buyer is willing to pay a price to acquire a property that is higher than the present value of the economic benefits that the asset is able to produce over the course of its useful life. With regards, in particular, to properties subject to valuation, the economic benefits are represented by the cash flows originating from the property’s “income generation” and by its subsequent disposal, and therefore by the lease payments (actual and/or potential) of the property, net of management costs and the terminal value of the property.
Finally, the Comparative (or Market) Method was used for the completed properties being sold, which is based on the assumption that no rational buyer is willing to pay a price to acquire a property that is higher than the cost of similar assets that have the same degree of utility. This expression refers to the economic principles of substitution (according to which the value of an asset is determined by the price that must be paid to purchase a perfectly identical asset with the same characteristics of utility and desirability) and of balance between demand and supply (according to which the price of an asset is directly determined by the exchange market and represents the definitive synthesis of the negotiation process in which buyers and sellers participate).
All available information is used for the valuation, taking into consideration factors such as: period for development or income generation, location, age, quality and condition of the buildings (accessibility, surface area, construction type, state of repair, functionality) and payment methods.

A comparison was made of the higher book value of the investment in Mittel Investimenti Immobiliari S.r.l. and its related recoverable value, determined in reference to the aforementioned value in use as at 31 December 2018, equal to EUR 7.0 million, which resulted in a write-down of EUR 3.0 million recognised in the income statement under “Value adjustments to investments”.

7. Financial receivables

This item totalled EUR 60,428 thousand (EUR 74,288 thousand as at 31 December 2017). The overall decrease was EUR 13,860 thousand.

	31.12.2018	**31.12.2017**
Loans	60.428.120	74.287.693
Other receivables	-	-

Security deposits	-	-
	60.428.120	**74.287.693**

	31.12.2018	31.12.2017
- Loans - financial institutions	9.806.032	10.000.000
- Loans - customers	50.622.088	64.287.693
	60.428.120	**74.287.693**

The item “Loans - financial institutions” is explained in full by the receivable from Fondo Augusto, managed by Castello SGR S.p.A.

8. Other non-current financial assets

This item totalled EUR 15,559 thousand (EUR 19,185 thousand as at 31 December 2017). The overall decrease was EUR 3,626 thousand.

The breakdown of this item is as follows:

	31.12.2018	31.12.2017
Financial assets		
Equities and fund units	15.558.528	19.184.813
Bonds	-	-
Derivative financial instruments	-	-
	15.558.528	**19.184.813**

Financial assets

The item mainly includes equity instruments recorded, following the first-time adoption of IFRS 9, as financial assets at fair value through profit or loss (in the previous year, they were categorised as available-for-sale financial assets, pursuant to IAS 39), and as broken down as follows:

	31.12.2018	31.12.2017
Financial assets		
Equities and fund units:		
Fondo Augusto	12.341.764	12.509.141
Fondo Cosimo I	1.253.095	2.938.673
Equinox Two S.c.a.	463.669	2.236.999
SIA - SSB S.p.A.	1.400.000	1.400.000
Nomisma S.p.A.	100.000	100.000
	15.558.528	**19.184.813**

The change during the year in financial assets is presented in the following table.

Name/company name	Values as at 01.01.2018	Purchases- Calls for funds	Sales - Distributions of funds	Capital gains (losses)	Impairment losses	Fair value adjustments	Values as at 31.12.2018
Equities and fund units:							
Fondo Augusto	12.509.141				(167.377)		12.341.764
Fondo Cosimo I	2.938.673				(1.685.578)		1.253.095

Equinox Two S.c.a.	2.236.999		(2.156.682)			383.352	463.669
SIA - SSB S.p.A.	1.400.000						1.400.000
Nomisma S.p.A.	100.000						100.000
	19.184.813	**-**	**(2.156.682)**	**-**	**(1.852.955)**	**383.352**	**15.558.528**

The main changes in this item, broken down as above, refer in particular to:

- the decrease of EUR 2,157 thousand entirely attributable to the distribution by Equinox Two S.c.a.;
- the effect of write-downs, amounting to EUR 1,852 thousand, primarily due to Fondo Augusto (EUR 167 thousand) and Fondo Cosimo I (EUR 1,685 thousand), to which is added positive adjustments to fair value for Equinox Two S.c.a. (EUR 383 thousand).

9. Sundry receivables and other non-current assets

The item “Sundry receivables and other non-current assets” totalled EUR 160 thousand (unchanged compared to 31 December 2017) and refers mainly to the usufruct on a share (EUR 143 thousand) and tax receivables for which reimbursement was requested by liquidated companies and assigned to Mittel S.p.A. on final distribution (EUR 15 thousand).

	31.12.2018	31.12.2017
Tax receivables	15.362	15.362
Other receivables	144.741	144.741
Other assets	364	164
	160.467	**160.267**

10. Deferred tax assets

This item totalled EUR 4,001 thousand and shows a marked increase compared to 31 December 2017, when the balance was negligible.

The breakdown of this item is as follows:

	31.12.2018	31.12.2017
Tax assets recognised through profit or loss	4.000.000	-
Tax assets recognised in equity	1.493	1.493
	4.001.493	**1.493**

	31.12.2018	31.12.2017
Deferred tax assets		
Other assets/liabilities	1.493	1.493
Losses carried forward	4.000.000	-
	4.001.493	**1.493**

Recall that, as previously described in the corresponding section of the consolidated financial statements, to which reference should be made, at the end of the year, deferred tax assets were allocated on the sizeable previous tax losses, against significant changes to the Group's perimeter as a result of the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical change in the expectations for the recovery of latent tax benefits.

The table below shows the changes during the year:

Tax assets recognised through profit or loss:

	31.12.2018	31.12.2017
Opening balance	**-**	**-**
Increases	**4.000.000**	**-**
Deferred tax assets recorded in the period:	4.000.000	-
- relating to previous years	*4.000.000*	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	-
Decreases	**-**	**-**
Deferred tax assets cancelled in the period:	-	-
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	-	-
	4.000.000	**-**

Tax assets recognised in equity:

	31.12.2018	31.12.2017
Opening balance	**1.493**	**20.922**
Increases	**-**	**-**
Deferred tax assets recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	-
Decreases	**-**	**(19.429)**
Deferred tax assets cancelled in the period:	-	-
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	-	(19.429)
	1.493	**1.493**

Current assets

11. Financial receivables

This item totalled EUR 71,411 thousand (EUR 70,301 thousand as at 31 December 2017). The overall increase was EUR 1,110 thousand.

The breakdown of this item is as follows:

	31.12.2018	31.12.2017
Loans	71.411.024	70.300.996
Other receivables	-	-
	71.411.024	**70.300.996**

	31.12.2018	31.12.2017
Loans - financial institutions	-	-
Loans - customers	71.411.024	70.300.996
	71.411.024	**70.300.996**

Changes in loans to customers	
Opening balance	**70.300.996**
collections for the year	(13.863.989)
disbursements	13.210.000
interest earned	2.756.621
value adjustments	(992.603)
Closing balance	**71.411.025**

This item primarily consisted of outstanding loans with Mittel Investimenti Immobiliari S.r.l. for EUR 58.0 million and with Zaffiro Firenze S.r.l. for EUR 13.2 million, the latter disbursed in December with the objective of purchasing the investment in Villa Gisella S.r.l.

12. Current tax assets

This item totalled EUR 4,431 thousand (EUR 7,661 thousand as at 31 December 2017). The overall decrease was EUR 3,330 thousand.

The item is mainly represented by the residual IRES receivable for a total of EUR 3,790 thousand, relating to the tax receivable deriving from withholding taxes and advances paid by Mittel S.p.A. and by its subsidiaries included in the tax consolidation, and to the IRAP receivable for the residual amount of EUR 641 thousand referring mainly to the tax benefit from recalculation of the IRAP taxable base for 2011/2012 following receipt of the response to the query put to the Italian Revenue Agency regarding the application, for the year in question, of rules envisaged in art. 6, paragraph 9 of Legislative Decree 446/1997 for industrial holdings.

	31.12.2018	31.12.2017
IRES (corporate income tax)	3.789.522	6.644.570
IRAP (regional business tax)	641.262	1.016.188
	4.430.784	**7.660.758**

The changes in this item in the year are shown below:

	31.12.2018	31.12.2017
Opening balance	**7.660.758**	**9.096.939**
Increases	**-**	**275.478**
Current tax assets recorded in the period:	-	275.478
- relating to previous years	-	-
- other	-	*275.478*
Other increases	-	-
Decreases	**(3.229.974)**	**(1.711.659)**
Current tax assets cancelled in the year:	-	-
- reimbursements	-	-
Other decreases	(3.229.974)	(1.711.659)
	4.430.784	**7.660.758**

The decrease in the tax receivables is essentially due to utilisations in offsetting, performed by Mittel S.p.A. and the subsidiaries (upon transfer to the subsidiaries from the Parent Company), against the payment of taxes through Form F24.

13. Sundry receivables and other assets

This item totalled EUR 9,830 thousand (EUR 5,877 thousand as at 31 December 2017). The overall increase was EUR 3,953 thousand.

The breakdown of this item is as follows:

	31.12.2018	31.12.2017
Trade receivables	603.690	382.152
Other tax receivables	429.745	379.862
Other receivables	8.534.148	4.955.610
Accrued income and prepaid expenses	262.326	159.656
	9.829.909	**5.877.280**

The item “Trade receivables” increased EUR 222 thousand compared to 31 December 2017, in reference to invoices issued in December 2017 to companies that are part of the consolidation for services rendered.
The item “Other tax receivables” refers to VAT receivables for which reimbursement was requested for a total of EUR 350 thousand.
The item “Other receivables”, amounting to EUR 8,534 thousand (EUR 4,956 thousand as at 31 December 2017), recorded an increase compared to the previous year of EUR 3,578 thousand and mainly includes receivables due from Group companies for taxes, VAT and sundry charges.
The item “Accrued income and prepaid expenses” includes accruals of EUR 166 thousand (EUR 26 thousand as at 31 December 2017) and deferrals on contractual payments due in future periods for 96 thousand (EUR 133 thousand as at 31 December 2017).

14. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 161,574 thousand (EUR 124,912 thousand as at 31 December 2017), include cash held by the Company and investments in bank deposits and certificates maturing within three months, and therefore considered readily convertible to cash.

	31.12.2018	31.12.2017
Cash	7.005	6.263
Bank and postal deposits	161.566.497	124.905.020
	161.573.502	**124.911.283**

For the changes in cash and cash equivalents, reference should be made to the Cash Flow Statement in these separate financial statements.

Equity

15. Equity

Equity totalled EUR 205,259 thousand (EUR 167,321 thousand as at 31 December 2017), up by EUR 37,938 thousand compared to 31 December 2017.

The breakdown of equity is shown in the following table:

	31.12.2018	31.12.2017
Share capital	87.907.017	87.907.017
Legal reserve	16.760.462	16.760.462
Treasury shares	(10.922.557)	(20.576.471)
Share/holding premium reserve	53.716.218	53.716.218
Valuation reserves	(141.856)	510.655
Other reserves	14.616.065	33.595.606
Profit (loss) of previous years	-	-
Profit (loss) for the year	43.323.501	(4.592.489)
Equity	**205.258.850**	**167.320.998**

Type/description	Amount	Possibility for utilisation	Portion available	Summary of utilisations during the three prior years: To cover losses	Summary of utilisations during the three prior years: For other purposes
Share capital	87.907.017				
Capital reserves:					
Share premium reserve	53.716.218	A,B,C	53.716.218		
Other:					
- surplus on share swap	949.931	A,B	949.931	(9.268.346)	
- revaluation reserve as per Law no. 72/1983	2.372.917	A,B	2.372.917		
- revaluation reserve as per Law no. 413/1991	43.908	A,B	43.908		
Treasury shares	(10.922.557)		(10.922.557)		
Profit reserves:					
Legal reserve	16.760.462	B	16.760.462		
Other:					
- extraordinary reserve	-	A,B,C	-	(11.141.423)	
- merger reserves	14.932.300	A,B,C	14.932.300	(35.362.522)	(9.653.914)
- share-based payment reserve	284.332		-		
- IAS/IFRS FTA reserve	4.676	A,B,C	4.676		
- Reserve from sale of treasury shares	(101.847)		(101.847)		
- IFRS 9 FTA	(4.644.837)		(4.644.837)		
- other	774.685	A,B,C	774.685		
Valuation reserve	(141.856)		(141.856)		
Profits for the year and carried forward	-	A,B,C	-	(22.173.718)	
Total reserves	**74.028.332**		**73.744.000**		
Non-distributable portion			20.127.218		
Residual distributable portion			**53.616.782**		

Key: A - for share capital increases, B - to cover losses, C - for distribution to shareholders

Changes in equity during the year are shown in detail in the relative schedule attached previously.

Share capital

Share capital is made up of 87,907,017 ordinary shares with a nominal value of EUR 1.00. Following the effective date of the merger of Tethys S.p.A. and Hopa S.p.A. of 5 January 2012, the share capital of Mittel S.p.A. increased by 17,402,512 shares with a nominal value of EUR 1.00 each. Outstanding share capital as at 31 December 2018, net of treasury shares held by the Company, stood at 81,347,368.

Treasury shares

As at 31 December 2018, the Parent Company held 6,559,649 treasury shares, a decrease of 5,797,753 following the implementation of the decision taken by the Shareholders' Meeting of 26 April 2018, upon approval of the financial statements at 31 December 2017, to distribute a dividend to shareholders through the assignment of treasury shares.

Valuation reserve

Up to 31 December 2017, the valuation reserve referred mainly to the adjustment to fair value, net of related tax effects, of financial assets classified as available-for-sale until that date, in accordance with IAS 39. On 1 January 2018, as a result of the first-time adoption of IFRS 9, which required that the entire portfolio of non-current financial assets be categorised within the category of financial assets at fair value through profit or loss, the reserve was reduced to zero, with a balancing entry in a reserve for the first-time adoption of the new standard.

The changes in the valuation reserve in the year are shown below:

			Fair value changes					
Valuation reserve at fair value	Amounts as at 31.12.2017	Effects of the first-time adoption of IFRS 9	Increases	Decreases	Release of reserve to the income statement for fair value impairment	Release of reserve to the income statement for transfers of financial assets	Deferred taxes	Values as at 31.12.2018
Fondo Cosimo I	93.611	(93.611)	-		-	-	-	-
Equinox Two	522.133	(522.133)	-		-	-	-	-
	615.744	(615.744)	-	-	-	-	-	-

Non-current liabilities

16. Bonds

The item “Bond issue”, recognised under current and non-current liabilities, for the respective shares falling due, was composed as follows:

	31.12.2018	31.12.2017
Current portion	44.844.360	3.072.363
Non-current portion	129.255.667	173.023.311
	174.100.027	**176.095.674**

As at 31 December 2018, there were two separate bond issues in place, both listed on the MOT (screen-based bond market):

- “Mittel S.p.A. 2013-2019” loan: a bond at a fixed interest rate of 6.00%, with maturity on 14 July 2019 and half-yearly coupon payment, represented by a residual 47,432,573 bonds with a nominal value of EUR 0.88, for an overall nominal value of EUR 41,740,664;
- “Mittel S.p.A. 2017-2023” loan: a bond with a fixed interest rate of 3.75%, with maturity on 27 July 2023 and half-yearly coupon payment, represented by 144,709,182 bonds with a nominal value of EUR 0.895, for an overall nominal value of EUR 129,514,718.

The liability for Bonds breaks down as follows:

“Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%		
Current portion	2.089.090	2.089.090
Non-current portion	129.255.667	129.205.282
Total "Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%	**131.344.757**	**131.294.372**
“Mittel S.p.A. 2013-2019" bonds, fixed rate 6%		
Current portion	42.755.270	983.273
Non-current portion	-	43.818.029
Total "Mittel S.p.A. 2013-2019" bonds, fixed rate 6%	**42.755.270**	**44.801.302**

The table below shows the differentials between the face values of each bond issue (including the coupon accrued at 31 December 2018) and the book values of the same. This difference is due to the application of the amortised cost method. The differentials shown provide the residual measure of capitalised costs on liabilities that will be recognised as financial expenses in subsequent years at the effective interest rate, as required by IFRS 9.

	31.12.2018	31.12.2017
Current portion		
"Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (coupon in the process of maturity)	1.180.174	983.273
“Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (repayment value at maturity)	41.740.664	
Non-current portion		
“Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (repayment value at maturity)		44.307.976
Total nominal repayment	**42.920.838**	**45.291.249**
Measurement at amortised cost	(165.568)	(489.947)
Total book value	**42.755.270**	**44.801.302**

	31.12.2018	31.12.2017
Current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75% (coupon in the process of maturity)	2.089.090	2.089.090
Non-current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75% (repayment value at maturity)	129.514.718	129.514.718
Total nominal repayment	**131.603.808**	**131.603.808**
Measurement at amortised cost	(259.051)	(309.436)
Total book value	**131.344.757**	**131.294.372**

During the year, and in particular starting from June, Mittel S.p.A. carried out several repurchase transactions on the market for the 2013-2019 loan, for a total quantity of securities equal to 2,917,400 (total nominal value of EUR 2,567 thousand), at a purchase value, including the accrual in progress, of EUR 2,690 thousand, a value slightly higher than the book value, equal to EUR 2,186 thousand.

The fair value at 31 December 2018 of the bond issues is as follows:

- for the 2013-2019 bond, EUR 0.89298 per security (101.475 on a 100 basis), for a total market value of EUR 42,356,339;
- for the 2017-2023 bond, EUR 0.903055 per security (100.90 on a 100 basis), for a total market value of EUR 130,680,350.

Prospectuses and regulations for the two outstanding bond issues are available on the website www.mittel.it, in the “Investor Relations” section.

The 2017-2023 loan requires that, after 36 months from 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 value to be repaid plus an amount equal to half of the coupon, between the expiry of the third year (excluded) and the expiry of the fourth year (included);
- equal to the nominal value to be repaid plus an amount equal to a quarter of the coupon between the expiry of the fourth year (excluded) and the expiry of the fifth year (included);
- equal to the nominal value after the expiry of the fifth year (excluded).

17. Provisions for personnel

As at 31 December 2018, this item totalled EUR 881 thousand (EUR 776 thousand as at 31 December 2017) and is composed as follows:

	31.12.2018	31.12.2017
Employee severance indemnity	881.469	776.474
Other allowances		
	881.469	**776.474**

The table below illustrates changes during the year in the provision for Employee Severance Indemnity:

	31.12.2018	31.12.2017
Opening balances	**776.474**	**831.755**
Increases:		
- Allocation for the period	98.266	135.865
- Increase due to business combination		
- Other increases	44.180	8.318
Decreases:		
- Utilisations	(37.451)	(128.813)
- Other decreases	-	(70.651)
	881.469	**776.474**

The valuation was performed on the basis of IAS 19, given that Employee Severance Indemnity is similar to a "post-employment benefit" of the "defined benefit plan" type, whose amount already accrued must be projected to the future to estimate the amount to be paid when the employment relationship ends and then discounted, using the "Projected unit credit method", to take account of the time that will elapse before the actual payment.
The actuarial assumptions adopted refer to:

a) assumptions regarding the causes of exit from the Group: death, total and permanent disability, staff turnover, such as resignations, dismissals and retirement due to seniority and old age;
b) economic and financial assumptions: rate of discounting of future services; salary growth curve, which determines the trend in remuneration; annual inflation and the rate of return recognised annually on accrued employee severance indemnity;
c) additional assumptions were formulated on the frequency of advances on employee severance indemnity, on tax withholdings and, on the whole, on the legislation in force.

All assumptions used in the valuations, given the small sample size of the community in question, were based on market experiences, and reflect the current corporate, legislative and existing market conditions at the valuation date, and are based on the assumption of the parent and group companies as going concerns.
As regards the quantification of employee severance indemnity, governed by art. 2120 of the Italian Civil Code, a portion of 7.41% of the amount of projected remuneration was calculated for each year of service, valid for employee severance indemnity purposes and due for the same year. From the amount thus obtained, 0.5% was subtracted for the financing of the employee severance indemnity (TFR) guarantee fund established at INPS (National Social Security Institute).
The amount of salary projected in future years has been estimated, for each employee, annually increasing the salary of the year to which the valuation refers, valid for employee severance indemnity purposes, based on the projected inflation rate (1.5% for 2017/2018 and steady at 2% by 2019 and beyond) and other contractual increases. The projections also take account of any employee severance indemnity additions, communicated by the Parent Company.
For revaluation purposes, with the exclusion of the portion accrued in the year, employee severance indemnity is increased each year through the application of a rate with a fixed component of 1.50% and a variable component of 75% of the projected inflation rate. Substitute income tax of 17% is applied on annual returns (this rate was raised from 11% to 17% due to the legislative amendment pursuant to paragraph 623, art. 1 of Law no. 190 of 23 December 2014 – 'Stability Law').
For each of the basic assumptions, an analysis is performed of the effect on the results of actuarial evaluations of a 10% increase or decrease in said amount. One amount was varied at a time, without prejudice to all other amounts.

18. Deferred tax liabilities

As at 31 December 2018, the item amounted to EUR 22 thousand, unchanged from 31 December 2017.
The breakdown of this item is as follows:

	31.12.2018	31.12.2017
Tax liabilities recognised through profit or loss	-	-
Tax liabilities recognised in equity	22.467	22.467
	22.467	**22.467**

	31.12.2018	31.12.2017
Deferred liabilities		
Financial assets/liabilities	22.467	22.467
	22.467	**22.467**

The changes in tax liabilities recognised in equity were as follows:

	31.12.2018	31.12.2017
Opening balance	**22.467**	**206.418**
Increases	**-**	**-**
Deferred taxes recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	-
Decreases	**-**	**(183.951)**
Deferred taxes cancelled in the period:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	-	(183.951)
	22.467	**22.467**

19. Provisions for risks and charges

As at 31 December 2017, this item amounted to EUR 529 thousand (EUR 933 thousand as at 31 December 2017), marking a decrease of EUR 404 thousand compared to the previous year.

The breakdown is as follows:

	31.12.2018	31.12.2017
Provision for risks:		
Legal disputes	529.246	932.770
Other disputes		
Other provisions:		
Other		
	529.246	**932.770**

The item saw the following changes:

	31.12.2018	31.12.2017
Opening balance	**932.770**	**902.875**
Increases:		
Allocation for the period	186.126	137.925
Other increases	-	-
Decreases:		
Utilisations	(589.650)	(108.030)
Other decreases	-	-
	529.246	**932.770**

The “Provision for risks” is attributable to allocation on the basis of the best estimate of legal costs associated with pending legal disputes (with related risk of the dispute improbable and therefore not subject to allocation, in line with the provisions of IAS 37).

The decreases are attributable to releases following the transposition of costs to which the allocations made in previous years referred.

Current liabilities

20. Bonds

This item totalled EUR 44,844 thousand and consists of:

- EUR 42,775 thousand for the principal amount of the 2013-2019 bond and interest accrued in the period from 12 July 2017, the half-yearly coupon payment date, to the date of these financial statements;
- EUR 2,089 thousand for interest accrued in the period from 27 July 2018, the 2017-2023 bond loan use date, to the date of these financial statements.

21. Financial payables

This item totalled EUR 92 thousand (EUR 11,880 thousand as at 31 December 2017), marking a decrease of EUR 11,778 thousand.

The item is composed as follows:

	31.12.2018	31.12.2017
Bank loans	91.981	9.507.904
Other loans	-	2.372.378
	91.981	**11.880.282**

The item “Bank loans” comprises the hot money granted by leading banks, settled at rates indexed to the 1/3M Euribor with short-term maturity.

22. Sundry payables and other liabilities

This item totalled EUR 7,046 thousand (EUR 12,093 thousand as at 31 December 2017). The overall decrease was EUR 5,047 thousand.

The breakdown of this item is as follows:

	31.12.2018	31.12.2017
Trade payables	1.986.154	1.259.492
Tax payables	913.582	302.794
Payables relating to employees	466.292	462.661
Payables due to directors and statutory auditors	358.828	910.560
Payables due to social security institutions	125.851	135.682
Other payables	3.144.819	8.933.884
Accrued expenses and deferred income	50.862	88.251
	7.046.388	**12.093.324**

The item “Trade payables” refers to invoices received but not yet paid for EUR 449 thousand and invoices to be received for EUR 1,537 thousand. The latter refer to payables allocated on the basis of existing mandates and relating to payables for legal expenses (EUR 1,351 thousand), professional consulting (EUR 43 thousand), fees for certification of the financial statements (EUR 88 thousand), and utilities (EUR 3 thousand).

The item “Tax payables” consists of EUR 894 thousand for payables to Inland Revenue Agency for fees paid in December 2018 and EUR 19 thousand of payables to the Italian Revenue Agency for VAT for the month of December 2018 net of advances paid on 27 December 2018.

The item “Other payables”, equivalent to EUR 3,145 thousand mainly refers to the payable to companies participating in the tax consolidation, for which Mittel S.p.A. is the Parent Company, for EUR 3,090 thousand, due to the use of tax losses of certain subsidiaries in the tax consolidation through the taxable bases of certain Group companies.

23. Revenue

This item totalled EUR 590 thousand (EUR 804 thousand as at 31 December 2017). The overall decrease was EUR 214 thousand.

The breakdown of revenue is shown below, with the main types highlighted:

	31.12.2018	31.12.2017
Revenue from rent	60.569	266.898
Revenue from provision of services	529.527	537.648
	590.096	**804.546**

La voce “Revenue from rent” refers to the sub-lease with Mittel Generale Investimenti S.r.l.

Revenue from the provision of services referred to chargebacks to subsidiaries and associates for direct debit, administrative and IT services outsourced.

24. Other income

This item totalled EUR 836 thousand (EUR 1,149 thousand as at 31 December 2017). The overall decrease was EUR 313 thousand.

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Extraordinary contingent assets	204.276	149.555
Income from elimination of assets	5.003	238.432
Other revenue and income	627.004	761.259
	836.283	**1.149.246**

The item “Contingent assets” is primarily composed of: unsubstantiated liabilities that arose in previous years for which the related financial disbursement will no longer occur, for EUR 116 thousand, and collections during the year that were in reference to previous years, for EUR 76 thousand.

The item “Income from elimination of assets” is mainly attributable to the gain realised on the disposal of certain furnishings.

The item “Other revenue and income” principally contains the chargeback for fees of the administrative body and supervisory body from Mittel S.p.A. to the subsidiaries and associates.

25. Costs for services

This item totalled EUR 4,682 thousand (EUR 5,205 thousand as at 31 December 2017). The overall decrease compared to 31 December 2017 was EUR 523 thousand.

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Legal consultancy	(572.250)	(438.186)
Notary consultancy	(8.727)	(20.080)
Other consultancy	(910.528)	(736.454)
General services and maintenance	(324.634)	(634.048)
Administrative, organisational and audit services	(5.836)	(7.226)
Directors' fees	(2.282.933)	(2.102.899)
Board of Statutory Auditors' fees	(145.600)	(187.211)
Supervisory Body's fees	(35.750)	(45.542)
Fees for prosecutors and Manager in charge	(16.000)	(20.000)
Rentals	(52.213)	(549.486)
Leases	(53.714)	(35.037)
Insurance	(183.733)	(249.310)
Utilities	(80.150)	(110.497)
Advertising	(350)	-
Others	(9.307)	(69.280)
	(4.681.725)	**(5.205.256)**

In particular, note the marked decrease in costs for general services and maintenance for a total of around EUR 0.3 million and rentals for around EUR 0.5 million. The reduction in rental costs is mainly due to the cancellation of the rental contract in place for the units on the second floor of the property in Piazza Diaz in Milan.

26. Personnel costs

This item totalled EUR 3,138 thousand (EUR 3,946 thousand as at 31 December 2017). The overall decrease compared to 31 December 2017 was EUR 808 thousand.

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Wages and salaries	(2.164.068)	(2.570.323)
Social security costs	(707.278)	(891.617)
Allocation to employee severance indemnity	(98.266)	(135.865)
Payments to external supplementary pension funds	(20.572)	(26.528)
Other personnel costs	(148.126)	(322.072)
	(3.138.310)	**(3.946.405)**

Taking into consideration the different durations of the two financial years, personnel costs were essentially in line with the previous year.

Average number of employees broken down by category:

	Average in the year 2018	Average in the year 2016/2017
Managers	5	5
Officials	8	9
Employees	14	15
Total	**27**	**29**

27. Other costs

This item totalled EUR 1,119 thousand (EUR 2,260 thousand as at 31 December 2017). These costs were halved, with a total decrease of EUR 1,141 thousand compared to 31 December 2017.

The breakdown of the item is shown in the following table:

	31.12.2018	**31.12.2017**
Taxes and duties	(722.571)	(1.346.843)
Losses on receivables	-	(3.190)
Extraordinary contingent liabilities	(30.547)	(56.613)
Other sundry operating expenses	(365.813)	(853.627)
	(1.118.931)	**(2.260.273)**

The item "Taxes and duties" mainly includes *pro-rata* costs for non-deductible VAT amounting to EUR 523 thousand.
The item "Extraordinary contingent liabilities" consists of costs incurred during the year ended 31 December 2018 but relative to previous years, whose amount, at the time the relative financial statements were closed, had been underestimated.
The item "Other sundry operating expenses" includes membership dues for EUR 131 thousand, non-deductible expenses for EUR 40 thousand, and expenses for managing company cars and those used by executives for EUR 152 thousand.

28. Dividends

This item totalled EUR 47,925 thousand (EUR 43,230 thousand as at 31 December 2017). The overall increase compared to 31 December 2017 was EUR 4,695 thousand.

The breakdown of the item is shown in the following table:

	31.12.2018	**31.12.2017**
	-	-
Dividends from financial assets	182.525	151.701
Dividends from investments	47.742.003	43.078.408
	47.924.528	**43.230.109**

The item "Dividends from investments" is mainly attributable to the distribution from Bios S.p.A. in liquidation for EUR 44,710 thousand and from Locaeffe S.r.l. in liquidation for EUR 3,000 thousand.

29. Profit (loss) from management of financial assets and investments

This item totalled EUR 6,215 thousand, decreasing by EUR 1,411 thousand compared to 31 December 2017.

The breakdown of the item is shown in the following table:

	31.12.2018	**31.12.2017**
Financial assets		
Capital gains	-	5.674.314
Other income	-	327.074
Capital gains (losses) from transfer of investments	**6.215.245**	**1.624.985**
	6.215.245	**7.626.373**

The gains from transfers are attributable to the amount collected following the completion of the liquidation of Locaeffe S.r.l. in liquidation, for EUR 2,308 thousand, and the effect of the closure of the Bernardi case, which has been thoroughly discussed in other sections of this report.

30. Amortisation

This item totalled EUR 192 thousand (EUR 274 thousand as at 31 December 2017), marking a decrease of EUR 82 thousand.

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Intangible assets		
Amortisation	(28.847)	(58.337)
Property, plant and equipment		
Amortisation of investment property	-	-
Depreciation of other assets owned	(163.429)	(215.958)
	(192.276)	**(274.295)**

31. Allocations to the provision for risks

This item includes allocations for EUR 143 thousand compared to a surplus of EUR 138 thousand as at 31 December 2017.

The breakdown of the item is shown in the following table:

	31.12.2018	31.12.2017
Provisions for ongoing disputes:		
for legal disputes	(143.276)	(137.925)
for expenses for personnel	-	-
Provision for contractual disputes	-	-
Other provisions	-	-
	(143.276)	**(137.925)**

The increases refer to the allocation on the basis of the best estimate of legal costs associated with pending legal disputes (with related risk of the dispute improbable and therefore not subject to allocation, in line with the provisions of IAS 37).

32. Financial income

This item totalled EUR 5,916 thousand (EUR 8,460 thousand as at 31 December 2017). The overall decrease compared to 31 December 2017 was EUR 2,544 thousand.

The item is composed as follows:

	31.12.2018	31.12.2017
Bank interest income	618.539	553.186
Interest income on financial receivables	5.192.968	7.756.442
Other interest income	104.740	151.000

	5.916.247	**8.460.628**

33. Financial expenses

This item totalled EUR 8,072 thousand (EUR 15,161 thousand as at 31 December 2017). The overall decrease compared to 31 December 2017 was EUR 7,089 thousand.

The item is composed as follows:

	31.12.2018	**31.12.2017**
Interest expense on bonds	(7.819.369)	(9.120.946)
Interest expense on bank loans	(20.794)	(1.355.568)
Interest expense on other loans	(5.612)	(15.611)
Other interest expenses	(10.122)	(8.318)
Other financial expenses	(216.132)	(4.660.882)
Exchange rate losses	(14)	-
	(8.072.043)	**(15.161.325)**

The decrease in the item “Other financial expenses” is partly due to the absence of non-recurring costs associated with the bond transaction that had been recognised in the prior year.

34. Value adjustments to financial assets, loans and receivables

This item totalled EUR 5,653 thousand, decreasing by EUR 4,762 thousand compared to 31 December 2017.
The breakdown of the item is shown in the following table:

	31.12.2018	**31.12.2017**
Net write-downs/(reversals of impairment losses) on financial receivables	(4.183.191)	(8.722.195)
Net write-downs/(reversals of impairment losses) on other financial assets	(1.469.603)	(1.693.076)
	(5.652.794)	**(10.415.271)**

For further details on this item, please refer to the corresponding sections under the statement of financial position.

35. Value adjustments on investments

This item totalled EUR 3,000 thousand (EUR 31,228 thousand as at 31 December 2017). The overall decrease compared to 31 December 2017 was EUR 28,228 thousand.

The breakdown of the item is shown in the following table:

	31.12.2018	**31.12.2017**
Write-downs of investments	(3.000.000)	(31.228.344)
Revaluations of investments	-	-
	(3.000.000)	**(31.228.344)**

The item “Write-downs of investments” refers entirely to the impairment of Mittel Investimenti Immobiliari S.r.l. For further details of issues related to these impairments, reference should be made to note “6. Investments” in these financial statements.

36. Profit (loss) from trading of financial assets

This item has been reset to following the complete elimination, as at 31 December 2017, of the trading portfolio previously held by the Company (which had contributed a profit of EUR 354 thousand as at 31 December 2017).

	31.12.2018	31.12.2017
Gains/losses on disposal of securities (current)	-	353.809
Capital gains/losses on securities valuation (current)	-	-
Derivative financial instruments	-	-
	-	**353.809**

37. Income taxes

This item totalled EUR 7,840 thousand (EUR 2,411 thousand as at 31 December 2017). The overall increase compared to 31 December 2017 was EUR 5,429 thousand.

The amount is composed as follows:

	31.12.2018	31.12.2017
IRES (corporate income tax)	3.582.372	2.416.418
IRAP (regional business tax)	-	-
Taxes of previous years	258.085	(4.524)
Total current taxes	**3.840.457**	**2.411.894**
Deferred tax liabilities	-	-
Deferred tax assets	4.000.000	-
Total deferred taxes	**4.000.000**	**-**
Other taxes	-	-
Total income taxes	**7.840.457**	**2.411.894**

The sizeable positive contribution of this item of the income statement is principally explained by: (i) EUR 3.6 million for the recognition of the current tax benefit deriving from the use within the tax consolidation of current and previous tax losses and surpluses of interest expense related to the Company; (ii) EUR 4.0 million of the previously mentioned revenue from the allocation of deferred tax assets, for which details are contained in the statement of financial position section and thoroughly discussed in the consolidated explanatory notes.

The reconciliation between the theoretical and effective tax rate is provided below.

Reconciliation of nominal tax rate with effective tax rate	**Taxable base**	**IRES (CORPORATE INCOME TAX)**	**%**
Profit (loss) before taxes	35.483.044	(8.515.931)	24,00 %
Non-deductible interest expense	2.155.798	(517.392)	1,46%
Value adjustments on financial assets	6.772.436	(1.625.385)	4,58%
Capital losses on investments	2.307.864	(553.887)	1,56%
Other irrelevant charges and income	139.734	(33.546)	0,08%
Allocation and use of provision for risks and charges	(272.274)	65.346	-0,18%
Dividends excluded	(45.679.142)	10.962.994	-30,90 %

Contingent assets on losses not deducted	(8.523.109)	2.045.546	-5,76%
Directors' fees (cash criterion)	(502.835)	120.680	-0,34%
Total	(8.118.484)	1.948.426	-5,50%
IFRS 9 FTA components	(196.339)	47.121	-0,13%
Tax consolidation benefits		1.586.824	-4,47%
Taxes of previous years		258.085	-0,73%
Deferred tax asset burden from previous years		4.000.000	-11,27%
Total	(8.314.823)	7.840.457	-22,10%

38. Basic and diluted earnings (loss) per share

As set forth in IAS 33, Mittel S.p.A. shows i) basic earnings per share calculated as net profit or loss for the year divided by the weighted average number of shares outstanding in the year and ii) diluted earnings calculated by adjusting profit or loss attributable to holders of ordinary equity instruments of Mittel S.p.A. to take account of the effects of all potential ordinary shares with a dilutive effect.

In particular, basic and diluted earnings per share are calculated as follows:

- *Basic earnings or loss per share:*
  Basic earnings or loss per share are determined by dividing the profit or loss attributable to holders of ordinary equity instruments of Mittel S.p.A. by the weighted average of ordinary shares outstanding during the year.
- *Diluted earnings or loss per share:*
  As required by IAS 33, diluted earnings (loss) per share should take account of the effects of all potential ordinary shares with a dilutive effect.

Basic and diluted earnings or loss per share as at 31 December 2018 compared with the previous year, are as follows:

Earnings/(loss) per share (in Euro)	**31.12.2018**	**31.12.2017**
From income statement:		
- Basic	0,546	(0,061)
- Diluted	0,544	(0,061)
From comprehensive income:		
- Basic	0,538	(0,093)
- Diluted	0,536	(0,093)

Basic earnings or loss per share

During the year ended 31 December 2018, the number of shares outstanding changed as a result of the distribution of treasury shares, as shown below:

Basic earnings/(loss) per share	**31.12.2018**	**31.12.2017**
(no. ordinary shares)		
No. of shares at start of the period	87.907.017	87.907.017
Average weighted number of ordinary shares subscribed in the period		
No. of treasury shares at start of the period	(12.357.402)	(12.357.402)
Average weighted number of treasury shares acquired in the period	-	-
Average weighted number of treasury shares sold in the period	3.748.684	-
Average weighted number of shares outstanding at the end of the period	**79.298.299**	**75.549.615**

Net profit/(loss)	**43.323.501**	**(4.592.489)**

Basic earnings/(loss) per share	**0,546**	**(0,061)**

Net comprehensive profit/(loss)	**42.670.990**	**(7.050.777)**

Total basic comprehensive earnings/(loss) per share	**0,538**	**(0,093)**

Diluted earnings or loss per share

Presence of a Stock Appreciation Rights assignment plan which affects the determination of the number of shares to be used in the calculation of diluted earnings per share

As at 31 December 2018, the shares for potential issue refer solely to shares assigned against the medium/long-term incentive plan based on the assignment of Stock Appreciation Rights (SARs) on treasury shares reserved for the management of Mittel S.p.A. (note the removal from the SARs plan of the former Chief Executive Officer, as a result of the termination of the employment relationship that occurred in November 2018).
The calculation of the diluted earnings per share was therefore made taking into account the number of shares that could be issued, without any consideration being received, against the SARs accrued and accounted for to date.

Reconciliation of the weighted average number of shares outstanding for purposes of calculating diluted earnings or loss per share from the income statement and from the statement of comprehensive income as at 31 December 2018, compared with the previous year, is shown below (for 31 December 2017, for which the income statement and the statement of comprehensive income showed a loss, the effect of the SARs plan is not considered, as it had a counter-dilutive effect.

Diluted earnings or loss per share	**31.12.2018**
(no. ordinary shares)	
Average weighted number of shares outstanding at the end of the period	79.298.299
plus shares required for:	
- SARs plan	315.927
Potential dilution of ordinary shares	315.927
Average weighted number of shares at the end of the period	**79.614.226**

	31.12.2018
Net profit/(loss) attributable to the Parent Company	43.323.501
Effect of subscriptions of potential new shares	-
Net profit (loss) available to ordinary shareholders plus expected subscriptions	**43.323.501**
Diluted earnings or loss per share	**0,544**

	31.12.2018
Net profit/(loss) attributable to the Parent Company	42.670.990
Effect of subscriptions of potential new shares	-

Net overall available profit/(loss) for ordinary shareholders plus expected subscriptions	**42.670.990**
Total diluted comprehensive earnings/(loss) per share	**0,538**

As there are no profits or losses from non-current assets held for sale or discontinued operations, the related earnings or loss per share of assets held for sale or already disposed of is not indicated.
Furthermore, note that the earnings or loss per share values recognised do not require adjustment due to any transactions involving ordinary shares or potential ordinary shares after the end of the year as at 31 December 2018 which would have significantly changed the number of ordinary or potential ordinary shares outstanding at period end.

39. Net financial position

According to the provisions of Consob Communication of 28 July 2006 and in compliance with the Recommendation of CESR dated 10 February 2005 “Recommendations for the consistent implementation of the regulation of the European Commission on prospectuses”, it should be noted that the net financial position of Mittel S.p.A. as at 31 December 2018 was positive for EUR 58,793 thousand, as shown in the table below:

(Thousands of Euro)	31.12.2018	31.12.2017	Variation
Cash	7	6	1
Other cash and cash equivalents	161.566	124.905	36.661
Securities held for trading	-	-	-
Current liquidity	**161.574**	**124.911**	**36.662**
Current financial receivables	**71.411**	**70.301**	**1.110**
Current bank payables	(92)	(9.508)	9.416
Current portion of medium/long-term bank loans	-	-	-
Bonds	(44.844)	(3.072)	(41.772)
Other financial payables	-	(2.372)	2.372
Current financial debt	**(44.936)**	**(14.953)**	**(29.984)**
Net current financial debt	**188.048**	**180.260**	**7.789**
Non-current bank payables	-	-	-
- Bank loans and borrowings expiring in the medium-term	-	-	-
- Bank loans and borrowings expiring in the long-term	-	-	-
Bonds issued	(129.256)	(173.023)	43.768
Other financial payables	-	-	-
Non-current financial debt	**(129.256)**	**(173.023)**	**43.768**
Net financial position	**58.793**	**7.236**	**51.556**

As regards the determination of the net financial position, please refer to the Directors’ Report on Operations for these financial statements. Moreover, in compliance with the indications of Consob Communication no. 6064293 of 28 July 2006 relating to the impact of transactions or positions with related parties on the net financial position, refer to the financial statement tables drawn up pursuant to Consob Resolution no. 15519 of 27 July 2006. Specifically, the significant items pertaining to the net financial position, which include balances to/from related parties, are current and non-current financial receivables and non-current financial payables. For the details of these, please refer to note 42 of these financial statements.

40. Commitments and guarantees

As at 31 December 2018, the following commitments and guarantees were in place:

	31.12.2018	31.12.2017
Guarantees:		
commercial	6.636.233	6.045.943
Commitments:		
disbursement of funds	1.253.992	1.253.992
	7.890.225	**7.299.935**

Commercial guarantees refer mainly to sureties issued in favour of the Italian Revenue Agency for VAT receivables for which a refund was requested and/or offset for EUR 1,398 thousand on the company's own account and EUR 5,238 thousand on behalf of Group companies.
Commitments to disburse funds refer to the commitments for payments to be made into private equity funds and foreign investment vehicles.

41. Intercompany transactions and transactions with related parties

Intercompany transactions and transactions with related parties

In terms of transactions with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, during 2018 transactions were entered into with said counterparties as part of ordinary Group operations and that no atypical and unusual transactions were carried out. All transactions were performed at arm's length and refer to:

	Directors, Statutory Auditors and internal committees	Associates	Associates	Total
Non-current assets				
Financial receivables	-	14.827.663	17.226.539	**32.054.202**
Current assets	-	-	-	
Financial receivables	-	71.411.024	-	**71.411.024**
Sundry receivables and other assets	-	9.029.275	36.258	**9.065.533**
Current liabilities	-	-	-	
Sundry payables and other liabilities	358.828	3.147.861	18.320	**3.525.009**
Income statement	-	-	-	
Revenue	-	507.816	67.005	**574.821**
Other income	-	574.619	15.000	**589.619**
Costs for services	(2.444.533)	(5.836)	-	**(2.450.369)**
Personnel costs	(960.312)	-	(22.195)	**(982.507)**
Other costs	-	(895)	-	**(895)**
Dividends	-	3.000.000	44.709.950	**47.709.950**
Financial income	-	2.915.028	899.293	**3.814.321**
Financial expenses	-	5.167	-	**5.167**

- Non-current financial receivables refer to loans granted to the subsidiaries Mittel Automotive S.r.l., subsequently merged into Industria Metallurgica Carmagnolese (I.M.C.) S.p.A., for EUR 5.7 million and Mittel Design S.r.l. for EUR 9.2 million, as well as the associate Liberata S.r.l., subsequently merged into Mittel Generale Investimenti S.r.l., for EUR 17.2 million.

- The current financial receivables refer to the loans granted to Zaffiro Firenze S.r.l. for EUR 13.1 million, Mittel Investimenti Immobiliari S.r.l. for EUR 58.0 million, and Markfactor S.r.l. in liquidation for EUR 0.4 million.

- The item “Sundry receivables and other assets” is mainly composed of receivables from companies in the tax consolidation of the consolidating company Mittel S.p.A.

- The item “Sundry payables and other current liabilities” includes EUR 3.1 million in payables to companies in the tax consolidation of the consolidating company Mittel S.p.A., EUR 0.04 million of payables to companies participating in the Group’s VAT procedure, for which Mittel S.p.A. is the Parent Company, and EUR 0.4 million for payables to directors and statutory auditors for remuneration accrued but not yet paid.

- The item “Revenue” refers mainly to the chargeback of administrative services and direct debit services provided to Group companies, the chargeback of lease payments on rental contracts signed with the subsidiaries Mittel Advisory S.r.l. and Mittel Investimenti Immobiliari S.r.l., and the sub-lease signed with the associate Mittel Generale Investimenti S.r.l., as well as the chargeback of the directors’ and officers’ liability policy signed by the Parent Company Mittel S.p.A.

- The item “Other income” refers to chargebacks for fees for the administrative body and supervisory body.

- The item “Costs for services” refers to fees paid to members of the administrative body for EUR 2.0 million, to members of internal committees for EUR 0.2 million, and fees to the Board of Statutory Auditors for EUR 0.1 million. For further details, please refer to the “Report on Remuneration” which will be available on the company’s web site www.mittel.it, “investor relations” section, according to the legal terms.

- The item “Personnel costs” refers to the remuneration of the company’s key managers. For further details, please refer to the “Report on Remuneration” which will be available on the company’s web site www.mittel.it, “investor relations” section, according to the legal terms.

- The item “Dividends” consists of dividends distributed from investments by Bios S.p.A. in liquidation for EUR 44.7 million and by Locaeffe S.r.l. in liquidation for EUR 3.0 million.

- The item “Financial income” refers mainly to interest income accrued in relation to Liberata S.r.l., subsequently merged into Mittel Generale Investimenti S.r.l., for EUR 0.9 million, Mittel Investimenti Immobiliari S.r.l. for EUR 2.3 million, Ghea S.r.l. for EUR 0.2 million, and Mittel Automotive S.r.l., subsequently merged into Industria Metallurgica Carmagnolese (I.M.C.) S.p.A., for EUR 0.4 million.

42. Additional disclosures on financial instruments and risk management policies

With reference to supplementary disclosures regarding financial instruments and the inherent risks required under IFRS 7 and IFRS 13, aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures and the fair value measurement of financial instruments, details on the measures and mechanisms the company has implemented to manage the exposure to financial risks are provided below.

42.1 Fair value measurement

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Where transactions are directly observable on a market, it may be relatively simple to determine the fair value. Otherwise, valuation techniques are used such as the “market” approach, which use prices and other relevant information generated by other transactions involving similar assets and liabilities, the “income approach”, which consists of the discounting of future cash inflows and outflows, and, lastly, the “cost approach”, which requires that the entity determine a value that reflects the amount that would be required currently to replace the service capacity of an asset.

IFRS 13 establishes a fair value hierarchy that classifies the input of the valuation techniques used to measure fair value into three levels.

The fair value hierarchy assigns the maximum priority to listed prices (not adjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the minimum priority to inputs that are not observable (Level 3 inputs).
The levels used in the hierarchy are as follows:

Level 1 inputs: listed prices (not adjusted) in active markets for identical assets or liabilities which the entity may access at the valuation date. A market is defined as active when prices reflect transactions that occur with a frequency and at sufficient volumes to provide useful information for determining the price on an ongoing basis.
Level 2: inputs: variables other than listed prices included in Level 1 that are directly or indirectly observable for assets or for liabilities. These valuation techniques are used if the instrument to be valued is not listed in an active market. The valuation of the financial instrument is based on market prices taken from market listings of identical or similar assets or through valuation techniques for which all significant values are taken from parameters observable or corroborated on the market.
Level 3 inputs: variables that are not observable for assets or for liabilities. These techniques consist of the calculation of the listed price of the instrument by using significant parameters which are not observable but must reflect the assumptions that market participants would use in calculating the price of the asset or liability, including the assumptions regarding risk.

For the financial instruments outstanding as at 31 December 2018, and for comparative purposes as at 31 December 2017, the table below illustrates the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

Amounts in Euro	31 December 2018			31 December 2017		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value:						
- Investments and funds measured at fair value through other comprehensive income	-	-	-	-	15.447.814	3.736.999
- Investments and funds measured at fair value through profit or loss	-	13.594.859	1.963.669	-	-	-
Financial assets measured at fair value held for trading:						
- Trading derivatives	-	-	-	-	-	-
- Current securities held for trading	-	-	-	-	-	-
Total assets	**-**	**13.594.859**	**1.963.669**	**-**	**15.447.814**	**3.736.999**
Other financial liabilities						
- Hedging derivatives	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 31 December 2018 are shown, and for comparative purposes, as at 31 December 2017, indicating the valuation criteria applied and, for financial instruments at fair value, the exposure (income statement or equity), specifically assigning the fair value category. The last column of the table shows, where applicable, the fair value of the financial instrument at the end of the year.

Situation as at 31 December 2018

(amounts in EUR)

Types of financial instruments	Financial instruments at fair value								
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortised cost	Financial statement total as at 31 December 2018	Fair value as at 31 December 2018
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)	
ASSETS									
Other non-current financial assets (a) (c)	14.058.528	-	**14.058.528**	-	13.594.859	1.963.669	**-**	**14.058.528**	14.058.528
Non-current financial receivables (b)	-	-	**-**	-	-	-	**60.428.120**	**60.428.120**	60.428.120
Non-current sundry receivables (*)	-	-	**-**	-	-	-	**145.106**	**145.106**	145.106
Current financial receivables (b)	-	-	**-**	-	-	-	**71.411.024**	**71.411.024**	71.411.024
Trade receivables (*)	-	-	**-**	-	-	-	**603.690**	**603.690**	603.690
Current sundry receivables (*)	-	-	**-**	-	-	-	**8.534.148**	**8.534.148**	8.534.148
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**161.573.502**	**161.573.502**	161.573.502
	14.058.528	**-**	**14.058.528**	**-**	**13.594.859**	**1.963.669**	**302.695.590**	**316.754.118**	316.754.118
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**174.100.027**	**174.100.027**	173.036.689
Financial payables (current and non-current) (b)	-	-	**-**	-	-	-	**91.981**	**91.981**	91.981
Trade payables (*) (b)	-	-	**-**	-	-	-	**1.986.154**	**1.986.154**	1.986.154
Sundry payables (*) (b)	-	-	**-**	-	-	-	**3.969.939**	**3.969.939**	3.969.939
	-	**-**	**-**	**-**	**-**	**-**	**180.148.101**	**180.148.101**	179.084.763

Notes

(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Financial assets measured at fair value through profit or loss
(b) Financial receivables and financial liabilities at amortised cost.
(c) Financial assets and liabilities at fair value on a recurring basis.

Situation as at 31 December 2017

(amounts in EUR)

Types of financial instruments	Criteria applied in the measurement 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 amortised 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)	Level 1	Level 2	Level 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)	-	-	**-**	-	-	-	**-**	**-**	**-**	**-**
Other available-for-sale financial assets (d)	-	-	**-**	-	-	-	**-**	**-**	**-**	**-**
Non-current financial receivables (b)	-	-	**-**	-	-	-	**74.287.692**	**-**	**74.287.692**	**70.726.951**
Non-current sundry receivables	-	-	**-**	-	-	-	**-**	**-**	**-**	**-**
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**
Sundry payables and other non-current 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 measured at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities 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.

Fair value valuation techniques:

The fair value measurement method defined for a financial instrument is adopted on a continuing basis over time and is only modified as a result of significant changes in the market or subjective conditions of the issuer of the financial instrument.

Completing the analyses required by IFRS 13, the additional disclosures concerning the valuation techniques and inputs used to measure fair value on a recurring basis are shown below:

I. Fair value measurement of financial assets and liabilities:

For financial assets and financial liabilities recognised in the financial statements at amortised cost, the fair value is determined in accordance with the following methods:

- for medium/long-term assets and liabilities, the valuation is carried out through the discounting of future cash flows. The latter method is based on the “discount rate adjustment approach” which requires the risk factors connected with the disbursement of credit to be included in the rate used for the discounting of future cash flows;
- for assets and liabilities on demand with a short-term or undetermined expiry and for the initial disbursements of financial receivables, the book value recognised net of the individual impairment loss is a suitable representation of fair value.

Specifically, for financial receivables deriving from loan operations posted at amortised cost in the statement of financial position, the reference figures relating to the fair value measurement are classified under Level 3 of the fair value hierarchy, and were estimated using the discounted cash flow method. The main inputs used for this measurement are the market discount rates, which reflect the conditions applied in the key markets for receivables with similar characteristics, adjusted to take account of the credit risk of the counterparty.

The nominal value of cash and cash equivalents generally approximates their fair value considering the short term of these instruments, which mainly include bank current accounts and time deposits.

Bond issues are recognised at amortised cost in the statement of financial position, and the related bonds are listed in an active market. Therefore, their fair value is measured using the prices at the end of the period. Thus, their fair value is 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 method. The main inputs used for that measurement are market interest rates at period end, adjusted to take account of the market expectations of default risk of the Company implicit in the prices of securities traded by the Company and the outstanding derivatives on Company payables.

For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not significantly differ from their book value, their book values are assumed to be a reasonable approximation of their fair value.
Specifically, the book value of Receivables and Other current assets and Trade payables and Other current liabilities approximates their fair value.

II. Fair value measurement of equities represented by non-controlling interests recorded in the portfolio of financial assets at fair value held for trading

As at 31 December 2018, there were no non-controlling interests in the portfolio of financial assets held for trading.

III. Fair value measurement of equities represented by non-controlling interests recorded in the AFS portfolio

The valuation techniques used to measure the fair value of the non-controlling interests recognised in the AFS portfolio include:

- the reference to market values that can be indirectly linked to the instrument to be measured and taken from similar products in terms of risk characteristics (comparable approach);
- valuations performed by using inputs not taken from observable market parameters for which use is made of estimates and assumptions prepared by the evaluator (mark to model approach).

In detail, for the fair value measurement of equities, different valuation methods are to be used, which involve the use of inputs deriving from direct transactions, i.e.:

- significant share transactions over a period of time deemed sufficiently short with respect to the time of the valuation and under constant market conditions;
- comparable transactions of companies that operate in the same sector and with any type of product/service supplied similar to those of the investee subject to valuation;

- application of the average of significant stock market multiples of comparable companies with respect to the economic-equity amounts of the investee, and
- the application of analytical financial, profit and equity valuation methods.

The choice from the aforementioned methods is not optional, given that these must be applied in hierarchical order; priority is given to official prices available in active markets for assets and liabilities to be measured (effective market quotes) or for similar assets and liabilities (comparable approach), with the lowest priority given to non-observable and, therefore, more discretional inputs (Mark to model approach).
In incorporating all the factors that operators take into consideration in establishing the price, the valuation models developed take account of the time value of money at the risk-free rate, insolvency risks, the volatility of the financial instruments and, if necessary, foreign currency exchange rates.

Shares units of private equity funds and foreign investment vehicles are measured using the last NAV (net asset value) available on a sufficiently active market (level 2).
Where a market is not functioning normally, i.e. when the market does not have a sufficient and continuous number of transactions and volatility is not adequately contained, the fair value of these financial instruments is calculated predominantly by using valuation techniques whose objective is to establish the price of a hypothetical transaction that considers assumptions regarding risk that market participants would use in calculating the price of the asset or liability and that also includes the risks inherent in a specific valuation technique used and the risk inherent in the inputs of the valuation technique.

As at 31 December 2018, 20% of non-controlling interests recorded in the statement of financial position under available-for-sale assets was valued according to methods using the fundamental analysis of the company (level 3).
As at 31 December 2018, no use was made of valuation methods that consider transactions involving the share over a period deemed reasonable with respect to the moment of the valuation or methods involving stock market multiples of comparable companies (level 2).

Variations to financial assets at fair value level 3

As at 31 December 2018, no transfers of financial assets and liabilities at fair value on a recurring basis from level 3 to other levels and vice-versa were made, deriving from changes to significant input variables of observable valuation techniques.
With reference to financial instruments classified in level 3 of the fair value hierarchy, details of changes in the period ended as at 31 December 2018, including profits/(losses) booked to the income statement, are shown below:

(in EUR)	Financial assets
As at 31 December 2017	**3.736.999**
Profits/(losses) recognised in the income statement	383.352
(Profits)/losses recognised in the statement of comprehensive income	-
Purchases/Reimbursements/Sales	(2.156.682)
As at 31 December 2018	**1.963.669**

Available-for-sale financial assets measured at fair value level 3 mainly refer to shares held in Equinox Two ScA (EUR 0.5 million), SIA-SSB S.p.A. (EUR 1.4 million), and Nomisma S.p.A. (EUR 0.1 million).

42.2 Classifications of financial instruments

Categories of financial assets and liabilities

With reference to supplementary disclosures regarding financial instruments and the inherent risks required under IFRS 7, and aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures, details on the measures and mechanisms the Group has implemented to manage the exposure to financial risks are shown below.

Additional disclosures required by IFRS 7 in order to assess the relevance of the financial instruments with reference to the Mittel S.p.A.'s financial position are shown below, separately for the two comparison periods:

	IFRS 9 CATEGORIES			
Financial assets at 31 December 2018	Loans and receivables	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Book value
Non-current financial assets:				
Investments	-	15.558.528	-	**15.558.528**
Bonds	-	-	-	**-**
Other financial assets	-	-	-	**-**
Non-current receivables:				**-**
Financial receivables	60.428.120	-	-	**60.428.120**
Sundry receivables	-	-	-	**-**
Receivables due from related parties	-	-		**-**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	9.281.201	-	-	**9.281.201**
Current financial assets:				
Financial receivables	71.411.024	-	-	**71.411.024**
Sundry receivables	-	-	-	**-**
Other financial assets	-	-	-	**-**
Hedging derivatives	-	-	-	**-**
Non-hedging derivatives	-	-	-	**-**
Cash and cash equivalents				
Cash and cash equivalents	161.573.502	-	-	**161.573.502**
TOTAL FINANCIAL ASSETS	**302.693.847**	**15.558.528**	**-**	**318.252.375**

	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 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	-	-			**-**
Current financial assets	-	-			**-**
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**

Financial liabilities as at 31 December 2018	IFRS 9 CATEGORIES		Book value
	Financial instruments at fair value	Liabilities at amortised cost	
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	-	-
Other financial liabilities	-	-	-
Sundry payables and other liabilities	-	-	-
Bonds	-	129.255.667	129.255.667
Current liabilities:			
Loans and borrowings from banks and other lenders	-	91.981	91.981
Trade payables	-	1.986.154	1.986.154
Sundry payables	-	3.144.819	3.144.819
Bonds	-	44.844.360	44.844.360
Other financial liabilities:			
Hedging derivatives	-	-	-
Non-hedging derivatives	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**179.322.981**	**179.322.981**

Financial liabilities as at 31 December 2017	IAS 39 CATEGORIES		Book value
	Financial instruments at fair value	Liabilities at amortised cost	
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**

Transfers between portfolios and reclassifications of financial assets

During 2018, the Company did not make any portfolio reclassifications.

42.3 Risk management policies

1. Credit risks

Credit risk represents the exposure of Mittel S.p.A. to potential losses resulting from the non-fulfilment of the obligations assumed by both financial and commercial counterparties. This risk mainly originates from economic-financial factors, or the possibility of counterparty default, or from more strictly technical-commercial factors.
Mittel S.p.A.'s maximum theoretical exposure to credit risk is represented by the book value of the financial assets and receivables recorded in the financial statements. It should be pointed out that certain credit positions are secured by mortgages and pledges on securities.
Allocations to the allowance for impairment are made specifically on credit positions that present unique elements of risk. By contrast, allocations are made to credit positions that do not present these characteristics on the basis of the average estimated collectability in line with statistical indicators.

As regards credit risk pertaining to income components that contribute to the calculation of net financial debt, it should be noted that the management of the Group's liquidity is based on prudential criteria and divided into the following areas:

- money market management, entrusted with the investment of temporary cash surpluses during the period, the reabsorption of which is expected within the next twelve months;
- bond portfolio management, entrusted with the investment of a permanent level of liquidity, the investment of that part of liquidity whose reabsorption for cash requirements is expected to occur after twelve months, as well as the improvement of the average yield on the asset.

In order to reduce the risk of the non-fulfilment of the obligations assumed by the counterparty, deposits were made with leading banks with high credit standing.
In order to minimise credit risk, the company also pursues a policy of diversification of its use of liquidity and of assignment of credit positions to the different bank counterparties; therefore, there are no significant positions with single counterparties to report.

Quantitative information

Credit exposures: gross and net values

The following table shows the total gross and net amounts of the Group's financial receivables for the year ended at 31 December 2018 and the prior year.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
Total as at 31 December 2018	**152.779.222**	**(20.940.077)**	-	**131.839.144**
Total as at 31 December 2017	**160.221.304**	**(15.632.614)**	-	**144.588.689**

Positions for which there is an objective condition of partial or total non-collectability are impaired individually. The amount of the impairment loss takes account of the estimate of recoverable flows, the relative collection date and the fair value of any guarantees.
With reference to the accounting policies for loans and receivables, please refer to the section on the first-time adoption of IFRS 9, which has led to the incorporation of expected losses arising from future events.

Cash and cash equivalents

Cash and cash equivalents of the company totalled EUR 161,574 thousand (EUR 124,911 thousand as at 31 December 2017) and are composed of bank deposits.
As regards the choice of counterparties for the management of temporary surpluses of cash and the stipulation of financial hedging contracts (derivative instruments), the company only uses contacts with a high credit standing.

In this regard, it should be noted that, as at 31 December 2018, no significant exposures to risks connected to a further deterioration in the overall financial context were highlighted.

Guarantees given and received

The carrying amounts as at 31 December 2018 and 31 December 2017 relating to the guarantees issued in favour of third parties and to commitments to disburse funds are shown below:

	31.12.2018	**31.12.2017**
Financial guarantees issued	-	-
Commercial guarantees issued	6.636.233	6.045.943
Irrevocable commitments to disburse funds	1.253.992	1.253.992
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	-	-
	7.890.225	**7.299.935**

Commercial guarantees refer mainly to sureties issued in favour of the Italian Revenue Agency for VAT receivables for which a refund was requested and/or offset for EUR 1,398 thousand on the company's own account and EUR 5,238 thousand on behalf of Group companies.

Commitments to disburse funds refer to the commitments for payments to be made into private equity funds and foreign investment vehicles.

2. Market risks

Interest rate risk

General aspects

Interest rate risk generally refers to the effects of changes in market interest rates on the income statement and on the statement of financial position.
Interest rate risk expresses the change in economic value of the intermediary, as a result of unexpected changes in interest rates with an impact on the bank portfolio, defined as the set of all assets and liabilities sensitive to interest rates and not classified in the trading portfolio.
In order to measure and monitor the interest rate risk profile at individual company and consolidated level, reports are generated which ensure the accurate monitoring of the trend in debt rates.
This reporting system makes it possible to continuously record the "margin" between the average rate of debt and lending and to determine the impacts of changes in the structure of interest rates on the entire financial statements for the year.

Quantitative information

The table below identifies the book value of the financial assets and liabilities:

Distribution by repricing date of financial assets and liabilities

Amounts in thousands of Euro

Item/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			26.392	29.983	-	4.053	60.428
Current financial receivables	71.411	-					71.411
Available-for-sale financial assets							-
Financial assets at fair value							-
	71.411	**-**	**26.392**	**29.983**	**-**	**4.053**	**131.839**
Liabilities							
Non-current bank loans			-				-
Current bank loans	92	-					92
Bonds	44.844			129.256			174.100
Other financial liabilities - related parties	-						-
	44.936	**-**	**-**	**129.256**	**-**	**-**	**174.192**
Financial derivatives							
Hedging derivatives							-
Trading derivatives							-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	26.475	**-**	**26.392**	**(99.272)**	**-**	**4.053**	**(42.353)**

The figures relating to the financial statements as at 31 December 2017 are provided below:

Amounts in thousands of Euro

Item/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 liabilities - 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 above tables are based on residual due dates and form a useful means of support also for quantifying liquidity risk. With more specific reference to interest rate risk, however, reference should also be made to the following tables (particularly those provided in the section on sensitivity analysis), which show details of fixed rate and variable rate financial assets and liabilities.

Models and other methods for the measurement and management of interest rate risk

Interest rate risk is a variable to which the Company dedicates considerable attention and has provided the basis for the operational decisions taken, regarding both financing instruments and lending.
In particular, fixed-rate bonds were used as the main source of financing. This strategic decision represents an important factor in mitigating risk and involves a moderate impact in respect of unexpected changes in interest rates on the economic value of the Parent Company.

Price risk

General aspects

Market risks encompass the risks generated by market transactions with regard to financial instruments, currencies and commodities.
Market risks are composed of position, settlement and concentration risk, with reference to the trading portfolio; from currency risk and commodity risk, with reference to the entire financial statements.

Qualitative information

As regards the Company’s current operations, actual and prospective market risk is low.
In line with the approved strategic lines, the strategies implemented in the current year are extremely prudent and have made provision for limited trading in financial assets, on the basis of a careful assessment of the risks connected to the current market phase. In particular, activities during the year involved the disposal of the residual trading portfolio held.

Quantitative information

As indicated in the section on qualitative information, the Company’s current and future market risk is limited, considering the complete disposal of the trading portfolio and the consistent reduction also in available-for-sale financial assets compared to previous years.

Currency risk

General aspects

Currency risk may be generally defined as the effects of variations in the exchange rate of non-Euro currencies on the performance of the Group in terms of economic results of operations and cash flows.
Monitoring of the incidence of the trend in exchange rates as regards transactions realised on securities in the various non-Euro currencies, is carried out, where appropriate, through reporting which shows the overall exposure and the incidence on the level of intra-year loss.
These indicators are produced on a daily basis and made available to the managers of the operating and control units.
Presently, the Company has no operations in place in areas subject to currency risks.

Qualitative/quantitative information

The company has no exposures in foreign currency.

Sensitivity analysis

The exposure to the different market risks is measured through a sensitivity analysis, as envisaged under IFRS 7; this analysis illustrates the effects of a given hypothetical variation in the levels of relevant variables in the different reference markets (interest rates, prices, currency) on financial expenses and income and, sometimes, directly on equity.

The sensitivity analysis was conducted on the basis of the hypotheses and assumptions shown below:
- the sensitivity analyses were carried out by applying reasonably possible changes in the relevant risk variables to carrying amount as at 31 December 2018;
- changes in the value of fixed rate financial instruments, other than derivative instruments, brought about by variations in reference interest rates, generate an impact on profit only when accounted for at their fair value. All fixed rate instruments which are accounted for at amortised cost are not subject to interest rate risk, as defined in IFRS 7;
- changes of value, brought about by variations in interest rates, of variable 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 period; therefore, they are taken into consideration in this analysis.

Interest rate risk – Sensitivity analysis

The variation in interest rates on the variable component of payables and liquidity may involve higher or lower financial expenses/income. In particular, in relation to the variation in interest rates: if, as at 31 December 2018, the interest rates were 100 basis points higher/lower than the rates actually registered, at income statement level, higher/lower financial expenses would be recorded, before the associated taxes, amounting to approximately EUR 0.1 million.

Breakdown of the financial structure between fixed and variable rates

In relation to the breakdown of the financial structure between the fixed rate and variable rate components, both for financial assets and liabilities, the following tables are considered.
In the preparation of these tables, account was taken of the book value and, as regards financial assets, of the intrinsic nature (financial characteristics and duration) of the transactions considered, rather than solely the contractually defined conditions.

Amounts in thousands of Euro		**31 December 2018**	
	Fixed rate	Variable rate	Total
Bank loans	-	92	**92**
Bonds	174.100	-	**174.100**
Other financial liabilities	-	-	**-**
Total	**174.100**	**92**	**174.192**

Amounts in thousands of Euro	31 December 2017		
	Fixed rate	Variable rate	Total
Bank loans	-	9.508	**9.508**
Bonds	176.096	-	**176.096**
Other financial liabilities	-	2.372	**2.372**
Total	**176.096**	**11.880**	**187.976**

Amounts in thousands of Euro	31 December 2018		
	Fixed rate	Variable rate	Total
Financial receivables	18.880	112.959	**131.839**
Other financial assets	-	-	**-**
Total	**18.880**	**112.959**	**131.839**

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**

Effective interest rate

The effective interest rate, for categories for which it can be determined, is the one relating to the original transaction net of the effect of any derivative hedging instruments.

The information, provided by categories of financial assets and liabilities, has been prepared by using, as a weight for weighting purposes, the adjusted book value of accruals, deferrals and fair value adjustments; therefore, this refers to the amortised cost, net of any accruals and fair value adjustments due to hedge accounting.

Amounts in thousands of Euro

	31 December 2018		31 December 2017	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	161.574	0,43%	124.911	0,49%
Other financial receivables - third parties	28.374	2,82%	35.433	2,31%
Other financial receivables – related parties	90.367	3,75%	109.156	3,81%
Total	**280.315**	**1,74%**	**269.500**	**2,07%**

Amounts in thousands of Euro

	31 December 2018		31 December 2017	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	92	38,79%	9.508	4,18%
Bonds	174.100	4,44%	176.096	4,53%
Other financial liabilities - related parties	-	0,50%	2.372	0,50%
Total	**174.192**	**4,46%**	**187.976**	**4,46%**

Currency risk – Sensitivity analysis

As at 31 December 2018 (and as at 31 December 2017), no active and passive financial instruments were denominated in currencies different from the financial statement currency of the Company and, therefore, currency risk is not subject to sensitivity analysis.

3. Liquidity risk

Liquidity risk is the risk of a company finding it difficult to fulfil future obligations associated with the financial liabilities given that available financial resources are not sufficient to cover the obligations according to the pre-established terms and due dates.
The Company pursues an objective of adequate financial stability of its sources, consistent with the defined strategic guidelines. This requirement has led Mittel S.p.A. to strengthen, through the bonds operation carried out during the year, the medium term financial debt component, as extensively highlighted in other sections of this report. The Company also has adequate financial flexibility, as it has additional sources or potential sources of financing through the availability of bank credit lines and loans.

Reference should be made to the table provided above (in the section on interest rate risk) for details of the residual maturities of assets and liabilities.

With reference to the expiry dates of cash flows related to the Group's financial exposure, for liquidity risk purposes, the repayment plan set forth for medium/long-term debt assumes particular significance. Amongst other things, the risk analysis performed is aimed at quantifying, based on contractual expiry dates, the cash flows deriving from the repayment of non-current financial liabilities held by the Company, given that they are deemed relevant for liquidity risk purposes.
For the purposes of presentation of the liquidity risk on the financial exposure of the Group deriving from expected cash flows for the repayment of financial debt and other non-current liabilities, the development of cash flows relating to the plan of payments for annual periods is shown below.

Amounts in thousands of Euro	**expiring by 31.12 of the year:**				
	2019	**2020**	**2021**	**After 2021**	**Total**
Bank loans	92	-			92
Bonds	47.912	4.847	4.847	136.812	194.418
Other financial liabilities	-				-
Total	**48.004**	**4.847**	**4.847**	**136.812**	**194.510**

4. Information on Equity

The shareholders have always taken care to provide the company with sufficient equity to allow it to carry out its activities and to cover risks.
For this reason, a portion of the profits achieved has been carried forward by the company over the years.
The objectives of Mittel S.p.A. as regards the management of capital are based on the protection of the company's ability to continue to ensure profitability for shareholders and to retain an efficient capital structure.

43. Publishing of the fees for auditing and other non-auditing services pursuant to Consob Issuers' Regulation, art. 149-*duodecies*

With regard to the disclosures pursuant to art. 149-*duodecies* of the Consob Issuers' Regulation, for information on the fees paid to the independent auditors KPMG S.p.A., reference should be made to Note 56 to the consolidated financial statements.

Milan, 29 March 2019

for the Board of Directors

The Chairman

(Michele Iori)

Statement on the separate financial statements pursuant to art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

The undersigned Anna Francesca Cremascoli, the Director in charge of the risk management and internal control system, and Pietro Santicoli, the Manager in charge of financial reporting of Mittel S.p.A., also taking into account the provisions of art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, state that the administrative and accounting procedures are adequate given the Company's characteristics and were effectively applied to prepare the separate financial statements as at 31 December 2018.

It is also certified that the separate financial statements for the year ended as at 31 December 2018:

a) were drafted in compliance with the IFRS endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and books;

c) provide a true and fair view of the financial position and performance of the issuer.

The Report on Operations includes a reliable analysis of the business performance and profit (loss), as well as the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 29 March 2019

Director in charge of the risk management and internal control system

Anna Francesca Cremascoli

Manager in charge of financial reporting

Pietro Santicoli

Report of the Board of Statutory Auditors pursuant to art. 153 of Italian Legislative Decree no. 58/1998 and art. 2429 of the Italian Civil Code

Please for this section refer to Italian version