Offices in Milan - Piazza A. Diaz 7
Share Capital EUR 87.907.017 fully paid-in
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www.mittel.it

Consolidated half-yearly financial report

(1 January 2018 – 30 June 2018)

133rd company year

Contents

Corporate bodies

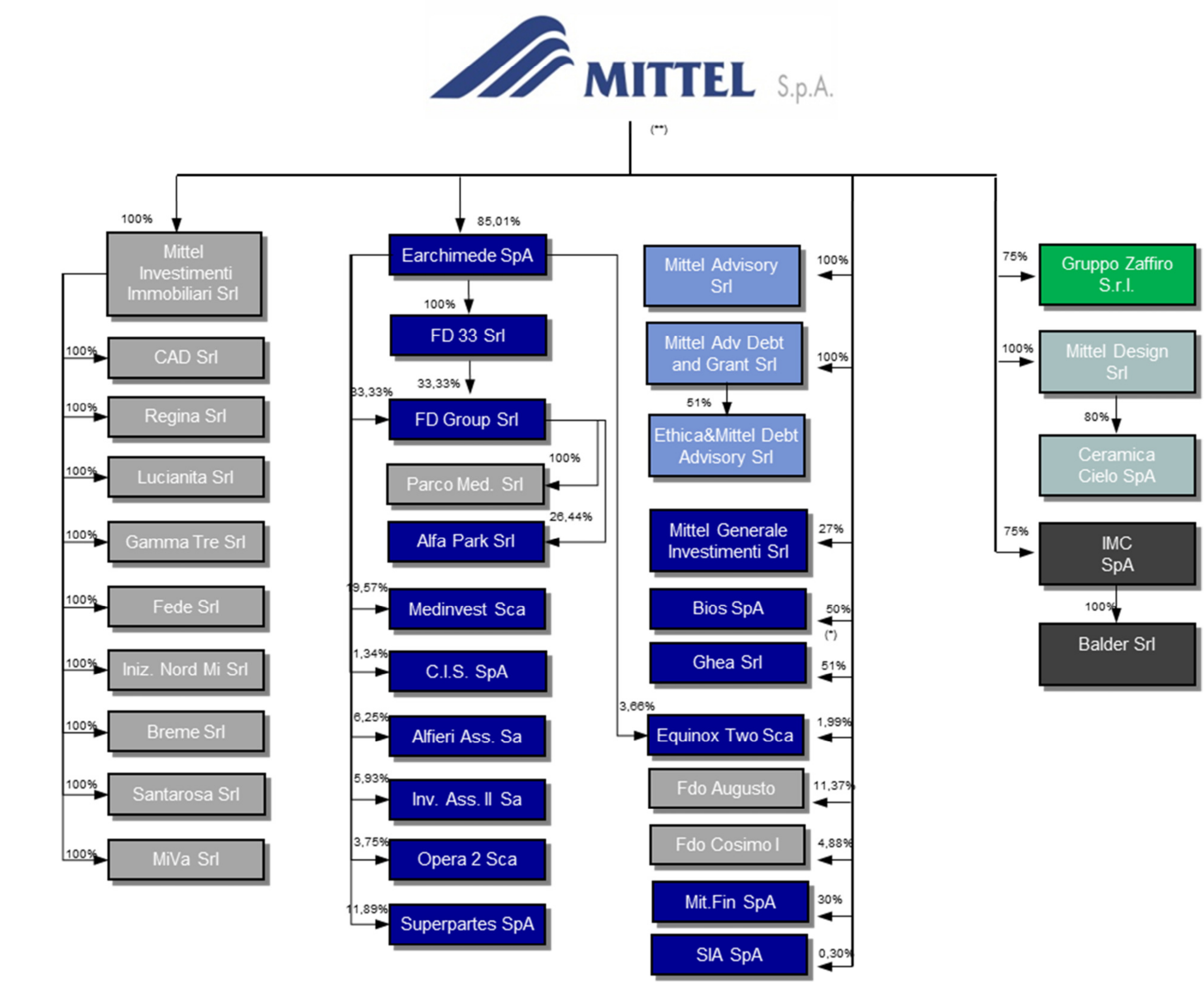
Board of Directors
Chairman and Chief Executive Officer
Rosario Bifulco (b)
Deputy Chairmen
Marco Giovanni Colacicco (b)
Michele Iori (d)
Directors
Anna Francesca Cremascoli (a) (d)
Giovanni Raimondi (a) (c)
Valentina Dragoni (a) (d)
Patrizia Galvagni (a) (c)
Manager in charge of financial reporting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

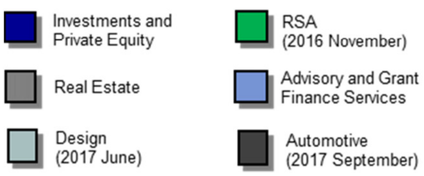
Board of Statutory Auditors
Standing auditors
Riccardo Perotta – Chairman
Maria Teresa Bernelli
Fabrizio Colombo
Alternate auditors
Aida Ruffini
Giulio Tedeschi
Independent Auditors
KPMG S.p.A.

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

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

Group Structure
as at 14 September 2018





(*) of ordinary share capital

(**) it holds 7,46% of treasury shares

Directors’ Report on Operations

Introduction

As at the date of this report, the 2016-2019 Strategic Plan has been successfully launched, whose guidelines focus on the development of investments with a view to permanent capital, the enhancement of assets in the portfolio, the gradual exit from real estate activities, and the termination of lending activities.

The year 2016/2017 was decisive for the launch of the first phase of the plan, due to three major investments with strategic value in sectors with expectations of high profitability. Specifically:

- in November 2016, a the Zaffiro Group, in fact, 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 local 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.

Following these acquisitions, beginning in the year 2016/2017, 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. In the first half of 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 based on the provisions of the Strategic Plan.

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

- in March 2018, the operations business unit of a 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 in the next few years, with over 200 beds;
- in June 2018, a partnership was signed with Fassina Group for the future management of a new nursing home that the latter should construct, after obtaining all authorisations, in the north-west area of Milan; this project, once completed, would result in one of the largest structures, in terms of size and services, in the Milan area;
- 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.

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. Although there were significant transfers of investments in the previous year (Castello SGR, Intesa Sanpaolo and UBI Banca, ISA and Livanova), in the first half of 2018, the sale of assets mainly concerned the property inventories and some collections on financial receivables held by the Group.

With regard to rationalisation measures for the Group's corporate structure, in addition to the various transactions carried out in the previous year, additional merger transactions were initiated in the first half of 2018, which will become effective for legal purposes in the second half of the year.

Lastly, in the first half of the year the Group benefited from the significant restructuring of funding sources carried out last year by issuing a new bond. This operation resulting in an overall improvement of the financial structure, due to the extension of the duration of the financial debt, the considerable reduction in the coupon, and the collection of significant additional financial resources for the investment plan. In addition to the issue of the 2017-2023 bond issue, the Group also benefited from the disposals made in previous years. As of today, therefore, the Company has significant financial resources for new transactions, consistent with the objectives defined in the Strategic Plan in the course of being implemented.

Group Performance

The consolidated income statement for the first half ended 30 June 2018 shows a profit pertaining to the Group of EUR 3,5 million. This profit was generated by a positive operating margin of EUR 7,9 million, a marked improvement on previous years, mainly attributable to the contribution for the entire first half of the positive operating margins of the majority shareholdings that were acquired last year. The gross operating margin is primarily offset by the result of financial management, which was negative for EUR 3,1 million, as a result of the financial debt (Mittel bond and bank debt of the operating subsidiaries), net of interest income accrued on residual financial receivables held by the Group. The consolidated net result for the first half, positive for EUR 4,7 million, pertains to the Group for EUR 3,5 million and to third parties for EUR 1,2 million.

The Group equity as at 30 June 2018 amounted to EUR 223,4 million, a decrease of EUR 0,5 million compared to EUR 223,9 million as at 31 December 2017. The net result pertaining to the Group, positive for EUR 3,5 million, is in fact offset by contrasting movements in equity, with no impact on the income statement, totalling negative EUR 4,0 million. These movements include the impact of the first application 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 amounted to EUR 90,8 million, an improvement compared to EUR 101,1 million recorded at 31 December 2017, mainly due to the effect of collections received during the first half for certain financial receivables, real estate sales, and ordinary management of recently acquired companies, particularly IMC and Ceramica Cielo. Moreover, a financial receivable of EUR 1,8 million (previously classified as non-current) was included in the net financial position as at 30 June 2018, which was then collected in July. As at 30 June 2018, financial resources generated by the sale of shares of Livanova Plc carried out by Bios S.p.A. in the prior year were not yet fully distributed to the Parent Company. This liquidity is not included in the consolidated net financial position as it is held by a company subject to summary consolidation.

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.

It should be noted that, due to the change in the closing date of the previous period, the comparative figures in this half-yearly financial report refer to a period (1 January 2017 - 30 June 2017) that does not coincide with the half-year covered by the previous period's half-yearly financial report. In fact, in the previous period, with a duration of 15 months (1 October 2016 - 31 December 2017), the half-yearly financial statements referred to the six-month period 1 October 2016 - 31 March 2017.

Furthermore, due to the changes in the Group's scope of consolidated 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 and require a similar restatement of the comparative balances.

Main economic figures of the Group

(Thousands of Euro)	**01.01.2018 30.06.2018**	**01.01.2017 30.06.2017**
Revenue and other income	59.498	19.220
Increases (decreases) in inventories	(3.576)	(3.906)
Net revenue	**55.921**	**15.314**
Purchases, provision of services, sundry costs	(32.882)	(10.608)
Personnel costs	(15.155)	(8.228)
Operating costs	**(48.037)**	**(18.836)**
Operating margin (EBITDA)	**7.884**	**(3.521)**
Amortisation/depreciation, allocations and adjustments to non-current assets	(3.002)	(543)
Share of income (loss) of investments	(585)	15.159
Operating result (EBIT)	**4.297**	**11.095**
Profit (loss) from financial management	(3.102)	(1.473)
Result of management and valuation of financial assets and receivables	1.918	2.814
Profit (loss) from trading of financial assets	-	182
Profit (loss) before taxes	**3.113**	**12.618**
Taxes	1.542	(285)
Net profit (loss) for the year	**4.655**	**12.334**
Profit (loss) pertaining to non-controlling interests	1.201	(213)
Profit (loss) pertaining to the Group	**3.454**	**12.547**

Note that consolidated revenue of industrial sectors as at 30 June 2018 (represented by the Automotive sector, which includes IMC, the Design sector, which includes Ceramica Cielo, and the Nursing Home sector, led by Gruppo Zaffiro) is particularly significant, equivalent to EUR 51 million, corresponding to nearly 90% of consolidated revenue. As at June 30, 2018, these industrial sectors contributed for the first time to the consolidated income statement for the entire period, enabling the Group to generate a clearly positive consolidated operating margin of EUR 7,9 million.

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

- **Revenue and other income:** this reclassified item includes the financial statement items for revenue and other income, which, as at 30 June 2018 had a balance of EUR 59,5 million, (EUR 19,2 million as at 30 June 2017). This balance was the combined result of the following factors:
  (i) revenue recognition for EUR 58,1 million (EUR 18,9 million as at 30 June 2017); the following sectors primarily contributed to this total:
    - the Automotive sector (IMC S.p.A. and Balder S.r.l.) for EUR 23,5 million (sector still not present in the period of comparison);
    - the Nursing Home sector (Zaffiro Group and subsidiaries) totalled EUR 14,0 million (EUR 12,3 million in the comparison period);
    - the Design sector (Ceramica Cielo S.p.A.) for EUR 13,4 million (sector not yet present in the period of comparison);
    - the Real Estate sector for EUR 5,7 million (EUR 4,7 million as at 30 June 2017);
    - the Advisory sector for EUR 1,2 million (EUR 1,7 million as at 30 June 2017);

  (ii) the recognition of other income for EUR 1,4 million (EUR 0,5 million in the comparison period), of which EUR 0,9 million relating to the Design sector.

- **Increases (decreases) in inventories:** the negative contribution recorded in the half, amounting to EUR 3,6 million (EUR 3,9 million as at 30 June 2017), is due to the net effect of:
  (i) the reduction for offloading of selling costs of property inventories for EUR 4,7 million (EUR 4,2 million as at 30 June 2017);
  (ii) the increase in property inventories for costs capitalised in the period for EUR 0,1 million (EUR 0,3 million as at 30 June 2017);
  (iii) the net increase in the inventories of the Automotive sector for EUR 1,1 million;
  (iv) the net reduction in the inventories of the Design sector for EUR 0,1 million.

- **Costs for purchases, provision of services, sundry costs:** this item, totalling EUR 32,9 million (EUR 10,6 million as at 30 June 2017), was heavily influenced by the operating costs of companies acquired in the previous year and includes costs for purchases of EUR 18,3 million (EUR 1,0 million in the comparison period), costs for services of EUR 13,3 million (EUR 8,3 million as at 30 June 2017), sundry costs of EUR 1,3 million (in line with the comparison period). The main contributors to this item were the following sectors:
  (i) the Automotive sector for EUR 15,1 million;
  (ii) the Design sector for EUR 7,9 million;
  (iii) the Nursing Home sector for EUR 6,2 million (EUR 4,9 million in the comparative period);
  (iv) the Parent Company Mittel S.p.A. for EUR 2,0 million (EUR 3,0 million in the comparative period);
  (v) the Real Estate sector for EUR 1,3 million (EUR 1,2 million in the comparative period).

- **Personnel costs:** the item reported a balance of EUR 15,2 million (EUR 8,2 million as at 30 June 2017), of which EUR 6,4 million deriving from the Nursing Home sector (EUR 5,8 million in the comparison period), EUR 3,3 million relating to the Design sector, EUR 3,3 million attributable to the Automotive sector, EUR 1,5 million relating to the Parent Company Mittel S.p.A. (in line with the comparison period) and EUR 0,5 million attributable to the Advisory sector (EUR 0,9 million in the comparison period).

- **Operating margin (EBITDA):** due to the items reported above, the operating margin in the half was a positive EUR 7,9 million (negative EUR 3,5 million in the comparison period), attributable to the Automotive sector for positive EUR 6,4 million, to the Design sector for positive EUR 3,0 million, to the Nursing Home sector for positive EUR 1,4 million (influenced in the period by the results of the investment transactions and the associated start-up costs), and for the remaining portion, a negative EUR 2,9 million, to the net contribution of the Group's other operating sectors.

- **Amortisation/depreciation, allocations and adjustments to non-current assets:** the item, insignificant as at 30 June 2017 (when it presented a total balance of EUR 0,5 million), amounted to a total of EUR 3,0 million as at 30 June 2018, due to:
  (i) Depreciation of property, plant and equipment and amortisation of intangible assets, amounting to EUR 2,8 million, explained primarily by the depreciation of property, plant and equipment relating to newly acquired companies; in particular, the Automotive sector contributed EUR 1,9 million to the item, the Design sector EUR 0,4 million and the Nursing Home sector EUR 0,3 million;
  (ii) Net allocations to the provision for risks and charges for EUR 0,2 million (EUR 0,1 million in the comparison period).

- **Share of income (loss) of investments:** the item, a negative EUR 0,6 million (positive EUR 15,2 million in the comparison period), is composed almost entirely of the result deriving from the summary consolidation of Bios S.p.A.; the significant positive contribution in the comparison period was explained by the gains from the sale of Livanova securities recognised by the associate Tower 6 bis and, to a lesser extent, the jointly-controlled company Bios S.p.A..

- **Profit (loss) from financial management:** presented a net loss of EUR 3,1 million (a loss of EUR 1,5 million in the comparison period); the item is primarily attributable to the negative contribution of the Parent Company Mittel S.p.A. (EUR 2,5 million), which presented financial income of EUR 1,5 million (attributable primarily to the interest accrued on the financial receivables held) and financial expenses for EUR 4,0 million (relating almost entirely to outstanding bonds); the negative net contribution of the Parent Company (as described, amounting to EUR 2,5 million), the Nursing Home sector (EUR 0,5 million) and the Automotive sector (EUR 0,5 million), is in contrast primarily to the positive contribution of EUR 0,5 million of the subsidiary Ghea S.r.l., attributable to the interest income accrued in the period on the receivable due to said entity from 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 1,9 million (EUR 2,8 million as at 30 June 2017) and is explained by:;
  (i) Net income from investments for EUR 0,2 million (EUR 5,1 million in the comparison period), composed entirely of dividends collected in the period on non-qualifying investments; the significant positive balance in the comparison period was explained by the sales of listed securities (Intesa Sanpaolo and UBI Banca) and non-qualifying investments (ISA) made by the Parent Company in the period;
  (ii) Net write-backs on financial assets and loans and receivables, amounting to EUR 1,7 million (net value adjustments of EUR 2,3 million in the comparison period) due to the effect of: (i) the fair value adjustment of the real estate mutual funds and investment vehicles held by the Group, which involved a total net write-back of EUR 1,2 million (net value adjustment of EUR 2,2 million in the comparison period); (ii) net write-backs on loans and receivables for EUR 0,5 million (net value adjustments of EUR 0,1 million in the comparison period), largely due to a write-back on a financial receivable held by Gruppo Locaeffe S.r.l. in liquidation, whose adjusted value was collected in July 2018.

Main financial and equity figures of the Group

(Thousands of Euro)	30.06.2018	31.12.2017
Intangible assets	70.361	68.862
Property, plant and equipment	46.688	43.915
Investments	55.354	55.939
Non-current financial assets	99.205	107.054
Provisions for risks, employee severance indemnity and employee benefits	(7.395)	(7.069)
Other non-current assets (liabilities)	453	495
Tax assets (liabilities)	(1.578)	(1.974)
Net working capital (*)	75.880	81.047
Net invested capital	**338.969**	**348.268**
Equity pertaining to the Group	(223.398)	(223.915)
Non-controlling interests	(24.790)	(23.218)
Total equity	**(248.188)**	**(247.134)**
Net financial position	**(90.781)**	**(101.134)**

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

As detailed below, the composition of the aforementioned items, and in particular 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 balance sheet items (investments, financial receivables and other non-current financial assets) in recent years.

Intangible assets amounted to EUR 70,4 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).
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 the date of this half-yearly report) of the purchase price allocation.
Lastly, goodwill of EUR 19,3 million was booked for the acquisition of IMC (which owns 100% of another company operating in the same sector, Balder S.r.l.). The provisional goodwill recognised at the time of the acquisition (completed on 30 September 2017), equal to EUR 35,5 million, was 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). The goodwill of the latter acquisition was still determined provisionally, pending the conclusion of the process to allocate the goodwill to the assets involved in the business combination (PPA), to be completed, in accordance with IFRS 3, within 12 months of the acquisition date.

Property, plant and equipment amounted to EUR 46,7 million (EUR 43,9 million as at 31 December 2017) and were heavily influenced by the contribution of the Automotive sector, amounting to EUR 23,3 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 14,4 million to the item (of which EUR 9,2 million relating to the Rivignano nursing home acquired under a lease in April 2017 and unveiled after the close of the half) and of Ceramica Cielo, which contributed EUR 5,6 million to the item (of which EUR 3,3 million attributable to land and buildings and EUR 2,0 million to plant and machinery).

Investments measured using the equity method totalled EUR 55,4 million (EUR 55,9 million as at 31 December 2017). As at 30 June 2018, the item was composed almost entirely of the investments held by the Parent Company Mittel S.p.A. in Bios S.p.A. (EUR 49,5 million) and in Mittel Generale Investimenti S.r.l. (EUR 5,4 million) and decreased with respect to the comparison period due to the negative pro-rata result, amounting to EUR 0,6 million, accrued on the investee Bios S.p.A. in the period.

Non-current financial assets amounted to EUR 99,2 million and refer: i) for EUR 74,8 million (EUR 81,8 million in the comparison period) to non-current financial receivables, mainly relating to credit positions held by the Parent Company (equal to EUR 53,5 million), plus the receivable (attributable to the equity rights on the class B shares held) due to Ghea S.r.l. from Bios S.p.A. (EUR 21,1 million); ii) of EUR 24,4 million (EUR 25,3 million in the comparison period) and 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..

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 7,4 million (EUR 7,1 million as at 31 December 2017). In particular, as at 30 June 2018, this item is composed, for EUR 5,1 million, of *Provisions for personnel* (EUR 4,8 million in the comparison period) and, for EUR 2,3 million, of *Provisions for risks and charges* (value in line with the comparison period). The main contributors to the item *Provisions for personnel* were from the Zaffiro Group (EUR 1,8 million), Ceramica Cielo S.p.A. (EUR 1,3 million), Mittel S.p.A. (EUR 0,8 million) and the Automotive sector (EUR 0,7 million). *Provisions for risks and charges* instead refer primarily to Mittel S.p.A. (EUR 1,2 million) and the Fashion District Group (EUR 0,6 million).

The item **other non-current assets (liabilities)** was a positive EUR 0,5 million (value essentially in line with the comparison period). The item is composed of *Other receivables and other assets* for EUR 0,6 million (essentially in line with 31 December 2017) and *Sundry payables and other liabilities* for EUR 0,1 million (in line with the comparison period).

The item **net tax assets (liabilities)** was a negative EUR 1,6 million (negative EUR 2,0 million as at 31 December 2017), and is composed of the sum of current tax assets of EUR 7,5 million (EUR 9,5 million as at 31 December 2017) and deferred tax assets of EUR 0,5 million (EUR 0,4 million in the comparison period), offset by deferred tax liabilities of EUR 7,9 million (EUR 10,2 million in the comparison period) and current tax liabilities for EUR 1,6 million (EUR 1,6 million in the comparison period).

Net working capital amounted to EUR 75,9 million (EUR 81,0 million as at 31 December 2017). The item is composed of: (i) the value of inventories for EUR 87,1 million, attributable for EUR 73,7 million to property inventories, for EUR 4,5 million to Ceramica Cielo S.p.A., and for EUR 8,8 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 first half; (ii) sundry receivables and other current assets amounting to EUR 25,6 million (EUR 23,0 million in the comparison period), to which the main contributors were the Automotive sector for EUR 9,9 million (EUR 8,8 million as at 31 December 2017), Ceramica Cielo S.p.A. for EUR 9,0 million (EUR 7,1 million as at 31 December 2017) and the Nursing Home sector for EUR 2,9 million (EUR 2,1 million as at 31 December 2017); (iii) sundry payables and other current liabilities for EUR 36,8 million (EUR 32,6 million in the comparison period), to which the main contributors were the Automotive sector for EUR 11,7 million (EUR 10,8 million as at 31 December 2017), Ceramica Cielo S.p.A. for EUR 7,4 million (EUR 5,6 million as at 31 December 2017) and the Nursing Home sector for EUR 5,0 million (EUR 4,0 million as at 31 December 2017), in addition to the Parent Company Mittel S.p.A., which contributed EUR 11,0 million to the item (EUR 10,1 million as at 31 December 2017), of which EUR 8,5 million relating to the liability still outstanding as at 30 June 2018 in relation to the collections received regarding an active tax dispute, which became final in July 2018 (with the associated positive impact in the income statement, which will be therefore accounted for in the second half of 2018).

As a result, **net invested capital** amounted to EUR 339,0 million (EUR 348,3 million as at 31 December 2017), financed by equity for EUR 248,2 million (EUR 247,1 million in the comparison period) and by the net financial position for EUR 90,8 million (EUR 101,1 million as at 31 December 2017.

Equity pertaining to the Group amounted to EUR 223,4 million (EUR 223,9 million as at 31 December 2017), while that pertaining to non-controlling interests amounted to EUR 24,8 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, as described, to EUR 90,8 million (EUR 101,1 million as at 31 December 2017). The detailed breakdown of the item is provided below. The item *Other financial payables* table mainly refers to: the estimate of the earn-out for the purchase of Zaffiro Group for EUR 7,5 million; the lease contract payable for the purchase of the nursing home in Rivignano for EUR 6,1 million; and the loan to the third-party shareholder of IMC for EUR 1,8 million. As at 30 June 2018, the financial resources generated by the sale of Livanova Plc shares carried out by Bios S.p.A. have not yet been entirely distributed to the Parent Company; the impact of these distributions on the financial position will be positive for EUR 60 million.

(Thousands of Euro)	30.06.2018	31.12.2017
Cash	83	74
Other cash equivalents	150.223	155.397
Securities held for trading	-	-
Current liquidity	**150.306**	**155.471**
Current financial receivables	**1.863**	**396**
Bank loans and borrowings	(50.951)	(63.089)
Bonds	(175.571)	(176.096)
Other current financial payables	(16.429)	(17.817)
Financial debt	**(242.950)**	**(257.002)**
Net financial position	**(90.781)**	**(101.134)**

Information by business segment

The gradual process of implementing the 2016-2019 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 (listed securities, real estate and lending) and/or non-performing assets, led to a significant transformation in the consolidated assets.

In particular, the acquisition of three target companies, specifically (i) Gruppo Zaffiro S.r.l. (nursing homes - November 2016), (ii) Ceramica Cielo S.p.A. (designer sanitary-ware - June 2017), and (iii) IMC - Industria Metallurgica Carmagnolese S.p.A. (automotive components - September 2017), contributed to diversifying and expanding the operating segments.

In view of the above, Mittel Group's 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; the sector also includes the Group companies that are currently in liquidation, as they pertain to initiatives that have now been concluded (e.g., outlets);

- **Nursing Homes:** through its shareholding of 75% 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 the investment in 80% of the share capital of 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 intended for the luxury sector;

- **Automotive:** through its 75% shareholding of 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 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.; Bios S.p.A; Ghea S.r.l.; Earchimede S.p.A.; Fashion District Group S.r.l. in liquidation;

- Nursing homes: Gruppo Zaffiro S.r.l. and subsidiaries;

- Design: Ceramica Cielo S.p.A. and Mittel Design S.r.l. (acquisition vehicle);

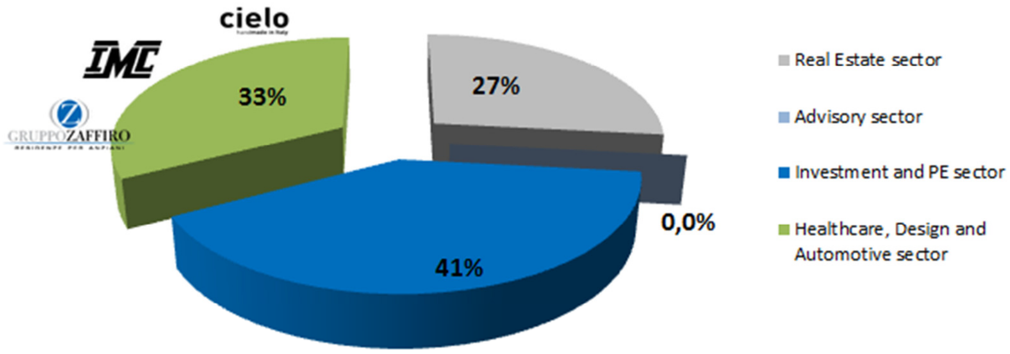
- Automotive: Industria Metallurgica Carmagnolese S.p.A. and Balder S.r.l.;

- 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., Mittel Advisory Debt & Grant S.r.l..

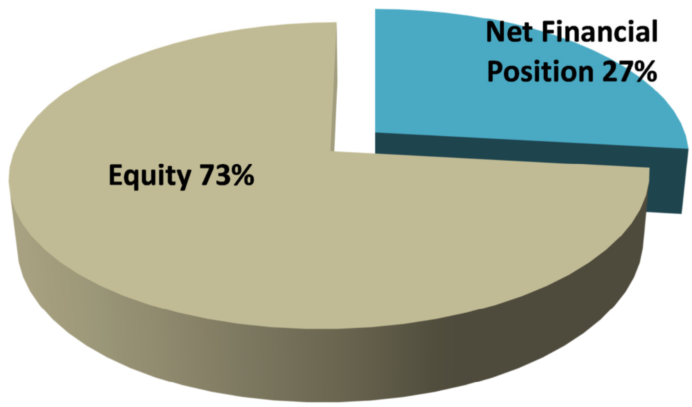
- INVESTED CAPITAL BY BUSINESS SEGMENT -

EUR 339,0 million



- FUNDING SOURCES -

EUR 339,0 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 were autonomous.

30 June 2018 (6 months)

Mln Euro	June 30, 2018									
AGGREGATED \ CONSOLIDATED	**Revenue**	**Operating Costs**	**EBITDA**	**Amortizing/ depreciation and impairments**	**Share of income (loss) of investments**	**Profit (loss) from financial management**	**Result and evaluation of financial assets and receivables**	**Taxes**	**Income (loss) pertaining to non-controlling interests**	**Income (loss) pertaining to the Group**
Investment & PE sector	0,8	-3,7	-2,9	-0,3	-0,6	-0,5	1,8	2,2	0,3	-0,5
Healthcare sector	14,1	-12,7	1,4	-0,3	-	-0,5	-	-0,4	0,0	0,1
Design sector	14,2	-11,3	3,0	-0,4	-	-0,1	-0,0	-0,6	0,4	1,4
Automotive sector	24,9	-18,5	6,4	-2,0	-	-0,7	-	-1,1	0,7	2,0
Real Estate sector	1,2	-1,5	-0,3	0,0	-	-1,2	0,1	1,4	-0,2	0,1
Advisory sector	1,3	-0,8	0,4	-0,1	-	-0,0	-	0,1	0,1	0,3
IC ELIMINATION	-0,5	0,5	-	-	-	-0,0	-			
CONSOLIDATED TOTAL	**55,9**	**-48,0**	**7,9**	**-3,0**	**-0,6**	**-3,1**	**1,9**	**1,5**	**1,2**	**3,5**

30 June 2017 (6 months)

mln Euro	30/06/2017									
AGGREGATED \ CONSOLIDATED	**Revenue**	**Operating Costs**	**EBITDA**	**Amortizing/ depreciation and impairments**	**Share of income (loss) of investments**	**Profit (loss) form financial management**	**Result and evaluation of financial assets and receivables**	**Taxes**	**Income (loss) pertaining to non-controlling interests**	**Income (loss) pertaining to the Group**
Investment & PE sector	0,8	-4,9	-4,1	-0,2	15,2	0,3	4,1	-0,3	-0,1	15,1
Healthcare sector	12,4	-10,9	1,5	-0,3	-	-0,4	-	-0,3	0,0	0,5
Design sector	-	-0,3	-0,3	-	-	-	-	-	-	-0,3
Real Estate sector	0,9	-1,5	-0,6	-0,0	-	-1,3	-1,3	0,3	-0,1	-2,8
Advisory sector	1,8	-1,8	-0,0	-0,0	-	-0,0	-0,0	0,1	-0,0	0,1
IC ELIMINATION	-0,5	0,5	-	-	-	-	-			
CONSOLIDATED TOTAL	**15,3**	**-18,8**	**-3,5**	**-0,5**	**15,2**	**-1,3**	**2,8**	**-0,3**	**-0,2**	**12,5**

Structure of the consolidated statement of financial position by business segment

30 June 2018

Mln Euro	June 30, 2018									
AGGREGATED \ CONSOLIDATED	**Net working capital**	**Fixed assets**	**Other assets (liabilities)**	**Invested Capitale**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Pertaining to non-controlling interests**	**Pertaining to the Group**
Investment & PE sector	-5,0	142,4	0,2	137,6		28,6	166,2		12,4	153,8
Healthcare sector	-4,3	55,5	-0,6	50,6		-32,5	18,1		4,5	13,6
Design sector	5,6	15,5	-2,0	19,1		-3,6	15,5		3,0	12,5
Automotive sector	5,2	42,6	-5,8	41,9		-24,1	17,9		4,5	13,4
Real Estate sector	74,0	15,7	0,2	89,9		-62,5	27,3		0,2	27,2
Advisory sector	0,4	0,0	-0,6	-0,1		3,3	3,2		0,3	3,0
IC ELIMINATION	-	-	-	-		-				
CONSOLIDATED TOTAL	**75,9**	**271,6**	**-8,5**	**339,0**		**-90,8**	**248,2**		**24,8**	**223,4**

31 December 2017

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

Performance of the Equity and Investments sector

Euro/000

Investment and PE sector	June 30, 2018	December 31, 2017
Fixed assets	142.394	151.003
Equity	166.226	173.982
Net financial position	28.647	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.

With regard to the statement of financial position, the decrease in fixed assets over the period under review of EUR 8,5 million is mainly attributable to the impact of the first adoption of IFRS 9 for EUR 4,4 million (please refer to the specific section of the explanatory notes for more details), as well as to collections on non-current financial receivables. Specifically, in the first half, collections of EUR 2,9 million were recorded, in relation to the receivable due to the Company from Mittel Generale Investimenti S.r.l.. In addition, a receivable due to Locaeffe S.r.l. in liquidation 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 (thus, at 30 June 2018 the receivable was classified under current financial receivables and adjusted to the value of EUR 1,8 million). Following this collection, the liquidation process for Locaeffe is expected to be concluded by the end of 2018. Finally, during the period, a total of EUR 2,1 million was collected from the Equinox Two fund after realising proceeds from disposals, with an ensuing decrease in the book value. In July, and hence after the closing of the period under review, this fund distributed an additional EUR 1,5 million.

As a result of continued rationalisation process for the Group's investment structure, the sector, which includes the operating costs of the Parent Company and other non-operating holding companies, shows a significant improvement in EBITDA, passing from negative EUR 4,1 million at 30 June 2017 to negative EUR 2,9 million.
The result of financial asset and receivable management, positive for EUR 1,8 million, mainly refers to distributions received from the Equinox Two fund and to the revaluation of the receivable of Locaeffe S.r.l. in liquidation, previously described, which was collected after 30 June 2018.
Lastly, the positive impact (EUR 2,2 million in the first half) 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. Currently, residual losses that may be used in the tax consolidation amount to EUR 47,7 million. 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 data from Private Equity Monitor, the first half of 2018 closed with 77 investments in Italy, a figure that is significantly higher (+50%) than the same period of the previous year. In terms of sectoral distribution, interest in consumer goods and industrial products continued to be strong, which, combined, attract over 53% of the market in terms of number of transactions. The food and professional services sectors are also posting satisfactory levels.

In the first half of 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.

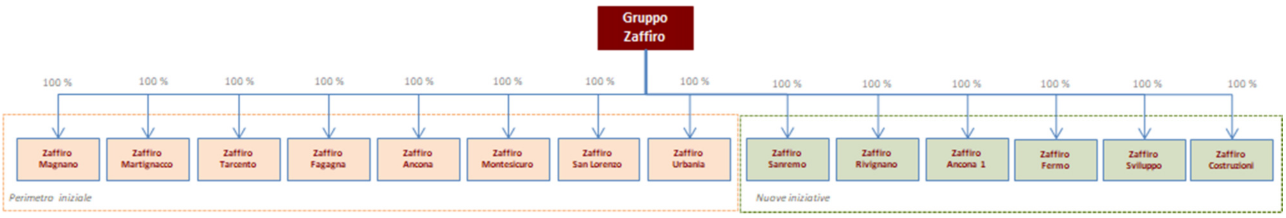
In all the investments made, a non-controlling share was maintained by the selling shareholder, which in the cases of Gruppo Zaffiro S.r.l. and Ceramica Cielo S.p.A. corresponds to the position of Chief Executive Officer, while in Industria Metallurgica Carmagnolese S.p.A., a new Chief Executive Officer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

Nursing Home Sector

On 18 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, Zaffiro Group, during the subsequent months, 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 14 September 2018 is presented below.



As shown by the updated corporate structure, compared to the 8 businesses acquired by Mittel in November 2016, the following new companies are wholly owned by the parent company Gruppo Zaffiro S.r.l.: (i) Zaffiro Sanremo S.r.l., which purchased the business unit for a nursing home in Sanremo (80 beds) for EUR 1,2 million in March 2018; (ii) Zaffiro Rivignano S.r.l., company that since July 2018 manages the new nursing home built by Zaffiro Group in Rivignano in the province of Udine (150 beds); (iii) Zaffiro Sviluppo S.r.l., company that, through a real estate lease, purchased and subsequently restructured the real estate structure pertaining to the nursing home in Rivignano, for a total investment of EUR 9,0 million; (iv) Zaffiro Costruzioni S.r.l., company that acquired land in Pogliano Milanese for EUR 1,2 million in June 2018, on which construction of a nursing home (240 beds) is expected to begin in the coming months; (iv) Zaffiro Ancona 1 S.r.l. and Zaffiro Fermo S.r.l., companies that, in the coming years, will manage the two new nursing homes currently not operational (estimated total additional 300 beds).
In addition to the initiatives identified above, further opportunities are being thoroughly analysed in terms of both management and real estate development.

With regard to the performance of the 8 operating companies acquired in November 2016, they posted significant improvements in margins in the period under review as shown below (EBITDA in the first half from EUR 2,2 million to EUR 2,7 million) mainly due to a better occupancy rate for the managed structures, which currently present, for the most part, an optimal occupancy situation.

Sector RSA (6 months) ***Euro mln***	**Sector**	***New company (Sanremo, Rivignano, Fermo, Ancona Uno, Sviluppo, Costruzioni)***	***Holding (Gruppo Zaffiro)***	**8 operating company "storiche" (6 months 2018)**	**%**	**8 operating company "storiche" (6 months 2017)**	**%**
Revenue	14,1	*-1,0*	*0,0*	**13,0**		**12,4**	
Operating costs	-12,7	*1,6*	*0,9*	**-10,3**		**-10,1**	
EBITDA	**1,4**	***0,5***	***0,9***	**2,7**	*20,8%*	**2,2**	*17,9%*
Net income	**0,1**						

Despite better performance of the “historical” operating companies, the overall trend for the sector during the period is substantially even (positive for EUR 0,1 million), as it was significantly influenced by development activities, which entailed an increase in costs for the Parent Company (personnel costs up EUR 0,1 million and services up EUR 0,3 million, mainly non-recurring), as well as operating losses associated with the start-up status of the new operating units for EUR 0,5 million.

The statement of financial position shows a net financial position of EUR 32,5 million (EUR 28,5 million as at 31 December 2017) with the trend explained by the investment transactions carried out in the period (acquisition of Sanremo nursing home, completion of nursing home construction in Rivignano, as well as subsequent finalisation of the nursing home in terms of furnishings and internal structures, acquisition of land in Pogliano Milanese). The value of EUR 32,5 million includes EUR 6,1 million payable related to the lease for the acquisition and subsequent construction projects on the Rivignano property, as well as the estimated debt related to the potential earn out to be recognised in 2019 based on the future results achieved by the 8 operating structures of Gruppo Zaffiro S.r.l. at the acquisition date (confirmed at EUR 7,5 million recognised as at 31 December 2017).

Design Sector

On 22 June, 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 (6 months) *Euro mln*	**(Ceramica Cielo + Mittel Design)**	**%**
Revenues	14,2	
Operating Cost	-11,3	
EBITDA	**3,0**	*20,8%*
Net Income	**1,8**	

The performance of the sector, and specifically of Ceramica Cielo S.p.A., was positive for the half year ended 30 June 2018, with EBITDA of EUR 3,0 million and a positive contribution to the overall result of EUR 1,8 million (EUR 1,4 million pertaining to Mittel).
The result is to be evaluated considering that, during the first half, 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 the first half of 2018, is more than 20%. In fact, the increase in costs was offset by the increase in revenue (+15%), which enabled EBITDA to be realised for the half year equal to EUR 3,0 million.

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 2,0 million, totalling EUR 3,6 million as of 30 June 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 (6 months) *Euro/mln*	**IMC S.p.A.**	***Balder S.r.l.***	**Automotive Sector (6 months 2018)**	**%**
Revenue	22,5	*2,4*	**24,9**	
Operating costs	-16,6	*-1,9*	**-18,5**	
EBITDA	**5,9**	***0,5***	**6,4**	*25,7%*
Net Income	**2,3**	***0,3***	**2,6**	

The sector, made up of IMC S.p.A. and the wholly-owned subsidiary Balder S.r.l., contributed positively to the Group's operating result for EUR 2,6 million. Specifically, revenue for the period 1 January 2018 – 30 June 2018 amounted to a total of EUR 24,9 million (EUR 22,5 million for IMC S.p.A. and EUR 2,4 to Balder S.r.l.).

EBITDA generated in the period amounted to EUR 6,4 million with a margin of over 25%, while the net financial position at 30 June amounted to EUR 24,1 million (of which EUR 7,4 million refer to shareholder loans provided by Mittel and Roblafin in proportion to their shareholding in the company), which is an improvement of EUR 4 million compared to 31 December 2017, confirming the significant cash conversion capacity of IMC Group.

Performance of the Real Estate Sector

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. In the second half of the year, construction projects totalling EUR 8,0 million are planned to launch, with an expected duration of 18 months, to complete the MiVa S.r.l. initiative, located in Via Vespri/Via Metauro in Milan, an area with high demand for residential units.

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 in the first half compared to the same period in 2017. The uncertainty regarding fiscal and employment policies has hampered market, with Milan proving itself as the leader in Italy, both in terms of the price trend and sales.

Euro/000	*(6 months)*		*(6 months)*
Real Estate Sector	**June 30, 2018**	**var%**	**June 30, 2017**
Revenue	5.784	*+21%*	4.770
Variations in inventories	(4.590)		(3.906)
Operating costs	(1.534)		(1.461)
EBITDA	**(341)**		**(596)**
Inventories (Real Estate)	**73.731**		**92.119**

In this context, continuing the positive disposal trend of the portfolio that began in the second half of 2017, the Group achieved revenue of EUR 5,8 million in the first half (+21% over the same period of the previous year) mainly for sales related to the initiatives: (i) CAD S.r.l. for EUR 3,6 million, a company linked to the residential complex in Paderno Dugnano (Milan); (ii) Mittel Investimenti Immobiliari for EUR 1,4 million, which owns the residential complex located in Arluno (Milan); and (iii) Lucianita S.r.l. for EUR 0,6 million, company linked to the building in Milan, Via Lomellina no. 12, an initiative that is, at this point, essentially completed.

The capital invested by the Group in the real estate sector amounted to EUR 89,9 million at 30 June 2018, a significant reduction compared to EUR 93,8 million at 31 December 2017, due to the sales realised by the company during the period. The value of real estate funds (Augusto and Cosimo I Fund) is unchanged, equal to EUR 15,5 million, corresponding to the Net Asset Value at 30 June 2018, as communicated by the manager Castello SGR.

Performance of the Advisory Services Sector

Euro/000	*(6 months)*		*(6 months)*	
Advisory sector	**June 30, 2018**	**%**	**30-giu-17**	**%**
Advisory M&A	398	*32%*	1.239	*71%*
Debt advisory	860	*68%*	504	*29%*
Revenue	**1.258**		**1.744**	

As previously described, in order to reposition the Debt&Grant Advisory business activities, including by leveraging external management, Ethica & Mittel Debt Advisory S.r.l. was established in October 2016, of which Mittel Group owns 51% and Ethica S.p.A. owns 49%.

Ethica & Mittel Debt Advisory S.r.l. generated revenue of EUR 0,9 million over the six-month period, which represent approximately 70% of the revenue of the entire sector.

There were no changes in the statement of financial position, with net equity of EUR 3,2 million, substantially equal to the liquidity at 30 June 2018 for the companies included in this sector. The simplification process is expected to be completed in the second half of the year, with the merger of Mittel Advisory S.r.l. and Mittel Advisory Debt and Grant S.r.l., and subsequent distribution to the Parent Company of the financial resources that exceed the needs of the core business.

Significant events in the first half of the year

Implementation of measures defined in the Strategic Plan

On 5 March 2018, through a specially established SPV, Gruppo Zaffiro S.r.l. acquired a new initiative in the nursing homes for the elderly sector, specifically in Sanremo. The total investment was around EUR 1,2 million and the facility, already in operation, had approximately 80 beds. The transaction, together with the acquisition of an area in Pogliano Milanese (where the Group intends, over the next few years, to establish a nursing home with more than 200 beds) and the transactions currently being studied, is part of the Group's growth project in the sector, which expects to use the Zaffiro Group as a solid base for creating a process for combining with other local healthcare operators, with the aim, over the next few years, of becoming a reference point for the sector.

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 confirm the appointments of, respectively, Valentina Dragoni and Patrizia Galvagni as directors, who will remain in office until the term of office of the current Board of Directors expires, and therefore until approval of the financial statements for the year ended as at 31 December 2019, with a fee included in the total amount resolved by the ordinary Shareholders' Meeting of 27 January 2017;
- to approve the free assignment to shareholders, in the form of an extraordinary dividend, through use of the corresponding part of the "Hopa Merger" reserve, 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, the dividend resolved by the Shareholders' Meeting was paid (coupon detachment date of 7 May and record date of 8 May). A total of 6.559.649 treasury shares was held by the company following the distribution.

On 23 May 2018, Mittel S.p.A.'s Board of Directors, following the decision taken by the shareholders regarding confirmation of the appointment of the directors Valentina Dragoni and Patrizia Galvagni, ascertained that said individuals met the independence requirements and confirmed the tasks assigned to them in the internal Board committees.

Significant events after 30 June 2018

Implementation of measures defined in the Strategic Plan

On 2 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 was refurbished by the Group, represents an important step in the company's growth plan through the renovation of already existing buildings or those to be constructed.
Including the recent acquisition of the operating unit of a nursing home in Sanremo (March 2018), the Group now manages 10 facilities (1 of which, in Rivignano, includes the building) with roughly 1.100 beds. All facilities are characterised by significant insourcing of services and high quality of the services offered.

Governance and corporate events

On 17 July 2018, the company Progetto Co-Val S.p.A., 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.

On 4 September 2018, Consob approved the document relating to the bid described previously, whose subscription period will start on 17 September 2018 and end on 12 October 2018 (inclusive), except in the event of extensions or any re-opening of the terms.

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 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, will be recognised as a contingent asset in the income statement in the second half of 2018.

In relation to the Snia dispute, on 22 August 2018, the Council of State, following the hearing on 14 June 2018, fully rejected (with no possibility of appeal) the administrative appeal filed by the Ministry of the Environment against a number of entities including Mittel S.p.A., which consisted of a formal notice to comply with a programme of reclamation works at the former production sites of the Caffaro Group. This second instance decision follows the first-instance ruling issued by the Regional Administrative Court of Lazio in 2016, which had already ruled favourably for Mittel S.p.A. (and the other defendants summoned by the Ministry of the Environment).
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 split-off decision, for which a hearing has been set for 23 January 2019 for the presentation of closing remarks.

Business outlook for the year

In the previous year, the company completed a major transformation of its assets through the acquisition of the majority stakes in three target companies (Gruppo Zaffiro S.r.l. / Nursing Homes; Ceramica Cielo S.p.A. / Designer ceramic sanitary-ware and IMC - Industria Metallurgica Carmagnolese S.p.A. / Automotive components), and refinanced its medium/long-term debt (2017-2023 six-year bond issue for a total of EUR 129,5 million), in line with the investment strategy identified in the 2016-2019 Strategic Plan, obtaining a significant reduction in the cost (coupon of 3,75%).

Over the next few months, the Company will therefore continue to look for new investment opportunities with the goal of creating long-term value, through the acquisition of companies characterised by excellence from an Italian entrepreneurial perspective.

From this perspective, the financial and strategic support for the investments already in the portfolio in the nursing home, designer ceramic sanitary-ware, and automotive components sectors, which constitute the platforms for achieving internal and external growth, is extremely important. At the same time, Mittel will continue to research additional investment platforms to go along with those already in place.

Additional acquisitions will be financed not just by the Group’s significant cash reserves, but also with additional funding that will be generated by the disposal of non-strategic assets, currently in relation primarily to the real estate sector, financial receivables and other non-core assets which will, over time, account for an increasingly smaller portion of the Group’s consolidated assets. Therefore, Mittel will increasingly assume the characteristics of an industrial holding company, in line with the provisions of the Strategic Plan.

It is expected that, in addition to the acquisitions already carried out, those envisaged based on the growth strategies indicated above entail the inclusion in the Group's perimeter of highly profitable operating entities with substantial taxable income. The latter situation will also allow for, through the inclusion of newly acquired companies in the tax consolidation of Mittel S.p.A., the valuation of the Group's substantial previous tax losses, currently not valued.

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 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 challenged 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 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).
On 4 November 2013, the Ministry of the Environment and Protection of Land and Sea ("Environment Ministry") and the Ministry of the Economy and Finance ("Finance Ministry") appeared 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. On 5 November 2013, the parties' first hearing was held.
At this hearing, by means of the brief filed in accordance with terms prescribed on 30 July 2014, the plaintiff company amended its line of reasoning, amongst other things, and also introduced new claims in relation to both the "second instance of conduct" (the "distractive" split) and the "fifth instance of conduct" (the causation of environmental damage), by providing, among other things, an "alternative" criterion for quantifying the so-called instantaneous damage derived from the second instance of conduct - criterion on the basis of which the original compensation claim of EUR 388 million would rise to EUR 572 million - and reformulating, on the other hand, the claims relating to the fifth instance of conduct in the sense of introducing conditional claims for sentencing subject to the outcome of the aforementioned judgements proving the liabilities of Snia and Caffaro, and in order to surreptitiously provide for the evident absence of a certain and actual damage on the part of plaintiff company in relation to the fifth instance of conduct.
Mittel, by means of the brief filed on 14 October 2014 (similar to the other defendants), objected to the inadmissibility and, in any case, the groundlessness of the new lines of reasoning of the plaintiff, at the same time supplementing its preliminary applications by producing a technical party consultancy report in the interest of Mittel, drafted jointly by Angelo Provasoli and Gabriele Villa. Once again, Mittel produced an additional report by Nelson Marmiroli aimed at refuting the extent of the environmental damages caused by Caffaro at the Brescia plant and the reclamation work methods recommended on behalf of the Ministry of the Environment by ISPRA. Mittel furthermore produced solid documentation in support of its case.
Also as a result of the change to the claims made by the plaintiff by means of the brief filed on 30 July 2014, the claims formulated appear, to Mittel's legal advisers, to be totally unfounded, owing to the absence of a

certain and actual damage as well as the clear absence of a causal relationship between the alleged unlawful conduct engaged in by Mittel and the damages for which compensation was sought.
At the hearing on 6 February 2015, the Judge, deeming the case to be ready for a decision and no other preliminary activity to be necessary, postponed the judgment to 23 May 2015 for the pre-trial conclusions and set legal deadlines for the filing of closing briefs and responses. This action terminated on 26 October 2015. From that date the deadlines became effective for filing of the decision which took place on 10 February 2016, whereby the Court of Milan rejected all claims filed against Mittel by Snia and the Environment Ministry, 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 intervention in proceedings of the Environment Ministry 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.
During 2017, certain briefs, authorised by the Court, were filed in order to better clarify the preliminary exceptions and preliminary requests, following which – at the request of the appellant administrations and considering possible settlement agreements with some of the original defendants – the hearing for the cases (joined) has been postponed from 21 February to 16 June 2017.

Pending this extension, 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, the case is going forward solely in relation to the Ministries.
At the hearing of 20 June 2018, called to clarify the conclusions, the case was postponed - for the same considerations - to 23 January 2019, in response to a specific request for postponement formulated by Snia in order to have time to formalise further settlement agreements allegedly reached with other counterparties.

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, at the hearing of 12 January 2016 Judge Mammone merely adjourned the case to 3 May 2016 and later to 8 November 2016 and lastly to 6 June 2017, reserving all rights to interim measures.
Therein, following a brief discussion between the parties, the Judge - again in consideration of the negotiations under way between the parties - postponed for the same considerations until the hearing on 19 December 2017 and, on that occasion, until 6 March 2018. In this last hearing, as a result of the change in magistrate (Judge Mammone was replaced by Judge Pascale), the Ministries renewed the petition to exclude third parties (Sorin, Mittel and B&P), and - on this preliminary ruling - the new Judge decided to submit the case to the court sitting in panel, setting the panel hearing for 30 October 2018, setting a deadline of 24 September 2018 for the final arguments and until 22 October 2018 for the responses.

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 split-off decision, for which a hearing has been set for 23 January 2019 for the presentation of closing remarks.

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

In relation to the receivable of EUR 12,8 million (scheduled by way of the supplementary private agreement of 23 June 2009 into three tranches of EUR 4,3 million plus interest - whose first tranche was due on 31 July 2013), in execution of the commitments undertaken by So.Fi.Mar International S.A. and by Mr. Alfio Marchini due to the acquisition of bare ownership of the 222.315 shares of Finaster S.p.A. (now Finaster S.p.A. in liquidation) during the year ended as at 30 September 2005, Mittel S.p.A. notified the counterparties to comply on 2 August 2013, to be able to collect the first instalment, including interest, amounting to EUR 4,6 million. The notice to comply with payment sent by Mittel S.p.A. did not receive a response, and the counterparty did not formulate any proposals concerning an amicable settlement of the issue. That being said, in October 2013, due to the persistent breach by So.Fi.Mar International S.A. and Mr. Alfio Marchini, Mittel S.p.A. notified the counterparties of the termination of the private agreement of 23 June 2009, with the consequent obligation for the Defendants to fully repay the amounts for principal, interest and arrears interest.
Mittel S.p.A., having received no response from the counterparty following the communication in October 2013, filed a petition for arbitration with the Board of Arbitrators of Milan in December 2013, by virtue of the express arbitration clause provided for in the sales contract of 30 September 2005, in order to obtain fulfilment of the obligations undertaken by So.Fi.Mar International S.A. and Mr. Alfio Marchini. In the past, the counterparties had regularly paid, up to July 2012 (last deadline for repayment of interest alone), Mittel S.p.A. the interest due on the extension of the payment into three tranches, expressly recognising its liability. The Defendants regularly appeared before the court with the associated brief and making a preliminary request to ascertain the lack of standing to sue Mr. Marchini and, in this regard, to reject Mittel S.p.A.'s claims. Furthermore, the Defendants, in sustaining that the parties, over the years, would have verbally supplemented the sale contract, requested that Mittel S.p.A. be sentenced to the payment of damages allegedly suffered by So.Fi.Mar International S.A. due to Mittel S.p.A.'s claimed non-fulfilment of the presumed supplementary verbal agreements.
With its award on 15 March 2016, the Board of Arbitrators ordered So.Fi.Mar International S.A. to pay Mittel S.p.A. the entire amount due to the latter in relation to the purchase contract for the investment in Finaster S.p.A. which concluded in 2005, in the sum 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, and in the arbitration case Mittel S.p.A. had claimed he was jointly liable given the nature of the contractual relations between the parties, particularly the option contract also signed by Alfio Marchini in 2000, as well as his conduct after purchase of the investments with regard to payment of the agreed price.

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, in October 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 filing several briefs by the parties, in February 2018 Mittel filed a request to close the preliminary phase. In July 2018, the appeal presented by Sofimar and Marchini against the provision that recognised the award to Mittel in Luxembourg was rejected.
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, initiating the procedure for ascertaining the third party's obligation by means of a deed served in September 2017. The hearing will take place on 3 October 2018.
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. So.Fi.Mar International S.A. filed an appeal, which was rejected by the Court of Zurich. So.Fi.Mar International S.A.'s appeal against this decision was also rejected. So.Fi.Mar International S.A. has also requested the nullification of the enforcement order of the Court of Zurich, on the basis of alleged irregularities in the serving of the “summons to pay”. This enforcement order procedure was settled as Mittel did not file the request for to continue the procedure.
In September 2017, Mittel filed bankruptcy against So.Fi.Mar International S.A. before the Court of Rome (case no. 2562/2017). So.Fi.Mar International S.A. joined the procedure and, following some extensions, at the hearing of 19 July 2018, the Judge agreed to hear the case, granting the parties until 15 September 2018 for concluding arguments.
In March 2017, a writ of summons was served to Mr. Alfio Marchini 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. The first hearing was scheduled for 3 April 2018 and was later postponed to 19 June 2018, when the judge set the deadlines for the parties for filing briefs pursuant to art. 183, paragraph 6, of the Italian Code of Civil Procedures, effective from 14 September 2018, and setting the hearing on 18 December 2018 for arguments on the admissibility of the evidence.

Therefore, the following four proceedings are currently pending to recover the receivable due to Mittel by So.Fi.Mar International S.A.;

1. enforcement proceedings against third parties in Italy before the Court of Milan (with sub-procedure for ascertaining the third party's obligation);
2. enforcement proceedings against third parties in Luxembourg;
3. pre-bankruptcy proceedings before the Court of Rome;
4. ordinary judgment against Mr. Alfio Marchini before the Court of Milan.

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

The second instance (case no. 1044/2017) between Mittel, as the defendant, and Interbanca S.p.A. (formerly 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, Interbanca 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. Monetary restrictions could begin to accelerate: even if inflationary dynamics continue to be modest, signs of excessive financial exuberance are starting to emerge, but only in a few countries with respect to credit markets. The risks of another downturn are still low, according to forecasts from the principal banks. The effects of quantitative easing, which are reversing their direction only slightly and cautiously in the first six months of 2018, have pushed interest rates to minimum values, and have led to the formation of substantial amounts of liquidity in search of returns.
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. In particular, for the ceramic sector, there is a correlation with the investments made in the development and renovation of residential and hotel buildings, traditionally influenced by the trend of the economic cycle. 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.

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 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.

Recall that on 17 July 2018, Progetto Co-Val S.p.A. launched a full public take-over offer pursuant to arts. 102, 106, paragraph 1, and 109 of the Consolidated Law on Finance (TUF). As part of the information provided by the bidder, Mittel confirmed its intention to increase its activities as an investment holding company by developing, including through external lines, its current investees, as well as by identifying new investment opportunities.

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 default that is not remedied, of these obligations set out in the Regulations, Mittel S.p.A. could be held to the mandatory early redemption of the Bond, 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 2017, 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 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 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 30 June 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.. At 31 December 2017, the most recent measurement date currently available, these financial parameters were satisfied.

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, again with the aim of mitigating risks of fluctuations in interest rates.

Liquidity risk

The Group has access to short-term credit lines granted by numerous leading banks and in July 2017 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 critical factor in maintaining the Group's investment growth strategy.
Consequently, any deterioration 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.

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.
Mittel Group is exposed to potential losses resulting from the non-fulfilment of 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 was a positive year in terms of sales (EUR 16 million in the 15 months) and the disposal process that continued in the first six months of 2018 (revenue of EUR 5,8 million), 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 numerous civil disputes (also concerning employment law), as well as 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 30 June 2018, the Group allocated a specific provision for risks and charges totalling EUR 2,3 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 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 activities and economic, equity and financial situation of Mittel 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 directors. In November 2015, at the time of his appointment, the Chief Executive Officer received an assignment of Mittel S.p.A. treasury shares. Then, 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 the Chief Executive Officer, key managers, and other key figures.
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.

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.
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 business activities and/or the economic, equity and/or financial situation of the Group itself.
In addition, possible changes to tax legislation, *inter alia*, relating to the treatment of capital gains/losses 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 Zaffiro Group, Ceramica Cielo, and IMC 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.

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, consolidated effective 22 June 2017, which supported two distinct research programmes throughout all of 2017, with a total cost of EUR 446 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 parent 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 will draft the consolidated non-financial statement required by the aforementioned legislation starting from 31 December 2018, since the previous financial year 2016/2017 began before the date indicated in the legislation. Thus, from the end of the current year, an analysis of non-financial performance (e.g., environmental, social, staff-related, etc.) of the entire scope of consolidation of the Group will be provided, 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, in the first half of 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;

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 30 June 2018 (equal to 7,46% of the share capital), as a result of the free allocation of treasury shares during the first half of the year. For more information on the allocation, please refer to the relevant paragraph under "Significant events in the first half of the year".

Share-based payment arrangements

As at 30 June 2018, there is only the option for share-based payment in the form of treasury shares of Mittel S.p.A. against the issue of the "Mittel 2016 Stock Appreciation Rights (SARs) Plan" approved by the Parent Company shareholders' meeting of 24 March 2016.

As part of the medium/long-term incentive plans, payment arrangements are envisaged for the Chief Executive Officer and management with share-based payments on shares representing capital.
In fact, 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 and one year for exercise of the assigned instruments.
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 based on a value determined by the financial models used to estimate the respective present value based on the most likely objective achievement results.

Security and Privacy 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.

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

The reconciliation between equity and profit (loss) for the year of the Parent Company, as shown in the financial statements as at 30 June 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	30 June 2018		31 December 2017	
	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
Equity and profit (loss) of the Parent Company	**160.972**	**(1.095)**	**167.321**	**(4.592)**
Elimination of book value of consolidated investments:				
Value of investments in consolidated companies	(107.564)		(106.262)	
Goodwill arising on consolidation	64.605		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	56.731		46.019	
Results achieved by fully consolidated companies		5.134		(8.094)
Cancellation of write-downs of investments				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 valued according to the equity method	48.654		49.239	
Income (loss) from investments valued according to the equity method		(585)		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				(48.002)
Dividends distributed by associates				
Taxes:				
Adjustment of tax rates				
Other adjustments				
Equity and profit (loss) for the period pertaining to the Group	**223.398**	**3.454**	**223.915**	**16.851**
Non-controlling interests	24.790	1.201	23.218	(1.684)
Consolidated equity and income (loss)	**248.188**	**4.655**	**247.133**	**15.167**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

Amounts in thousands of Euro

	Notes	30.06.2018	01.01.2018 (**)	31.12.2017
Non-current assets				
Intangible assets	4	70.361	68.862	68.862
Property, plant and equipment	5	46.688	43.915	43.915
Investments accounted for using the equity method	6	55.354	55.939	55.939
Financial receivables	7	74.764	77.395	81.776
Other financial assets	8	24.441	25.279	25.279
Sundry receivables and other assets	9	594	635	635
Deferred tax assets	10	461	423	423
Total non-current assets		**272.664**	**272.448**	**276.829**
Current assets				
Inventories	11	87.111	90.678	90.678
Financial receivables	12	1.863	396	396
Current tax assets	13	7.495	9.451	9.451
Sundry receivables and other assets	14	25.618	22.957	22.957
Cash and cash equivalents	15	150.306	155.471	155.471
Total current assets		**272.394**	**278.953**	**278.953**
Assets held for sale		-	-	-
Total assets		**545.058**	**551.401**	**555.782**
Equity				
Share capital		87.907	87.907	87.907
Share premium		53.716	53.716	53.716
Treasury shares		(11.178)	(21.058)	(21.058)
Reserves		89.499	82.118	86.499
Profit (loss) for the period		3.454	16.851	16.851
Equity pertaining to the Group	16	**223.398**	**219.534**	**223.915**
Non-controlling interests	17	24.790	23.218	23.218
Total Equity		**248.188**	**242.753**	**247.134**
Non-current liabilities				
Bonds	18	172.316	173.023	173.023
Financial payables	19	53.922	50.942	50.942
Other financial liabilities	20	7.585	7.550	7.550
Provisions for personnel	21	5.136	4.787	4.787
Deferred tax liabilities	22	7.946	10.222	10.222
Provisions for risks and charges	23	2.260	2.282	2.282
Sundry payables and other liabilities	24	141	141	141
Total non-current liabilities		**249.305**	**248.947**	**248.947**
Current liabilities				
Bonds	25	3.255	3.072	3.072
Financial payables	26	5.872	22.414	22.414
Current tax liabilities	27	1.589	1.626	1.626
Sundry payables and other liabilities	28	36.849	32.588	32.588
Total current liabilities		**47.565**	**59.701**	**59.701**
Liabilities held for sale		-	-	-
Total equity and liabilities		**545.058**	**551.401**	**555.782**

(*) 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 thousands of Euro

		01.01.2018 30.06.2018	01.01.2017 30.06.2017
Revenue	29	58.059	18.869
Other income	30	1.439	352
Variations in inventories	31	(3.576)	(3.906)
Costs for purchases	32	(18.253)	(1.029)
Costs for services	33	(13.317)	(8.323)
Personnel costs	34	(15.155)	(8.228)
Other costs	35	(1.313)	(1.255)
Amortisation and value adjustments to intangible assets	36	(2.768)	(451)
Allocations to the provision for risks	37	(234)	(92)
Share of income (loss) of investments accounted for using the equity method	38	(585)	15.159
Operating result (EBIT)		**4.297**	**11.095**
Financial income	39	2.082	2.339
Financial expenses	40	(5.185)	(3.812)
Dividends	41	215	152
Profit (loss) from management of financial assets and investments	42	-	4.937
Value adjustments to financial assets and receivables	43	1.703	(2.275)
Profit (loss) from trading of financial assets	44	-	182
Profit (loss) before taxes		**3.112**	**12.618**
Income taxes	45	1.542	(285)
Profit (loss) for the period		**4.655**	**12.334**
Attributable to:			
Profit (loss) pertaining to non-controlling interests	46	1.201	(213)
Profit (loss) pertaining to the Group		**3.454**	**12.547**

(*) 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

Amounts in thousands of Euro

	Notes	01.01.2018 30.06.2018	01.01.2017 30.06.2017
Profit (loss) for the period (A)		**4.655**	**12.334**
Other profits / (losses) comprehensive which will be not subsequently reclassified to profits / (losses) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		58	100
Tax effect relating to other profits/(losses) which will be not subsequently reclassified to profits/(losses)		(12)	(27)
Total Other profits / (losses) which will be not subsequently reclassified to profits / (losses) for the period, net of taxes (B.1)		**46**	**73**
Other profits / (losses) comprehensive which are subsequently reclassified to profits / (losses) for the period:			
Effective part of the profits/(losses) on cash flow hedges	16	(108)	-
Profits/(losses) from the redetermination of available-for-sale financial assets	16	(3.254)	(1.214)
Profits/(losses) from the transfer of available-for-sale financial assets	16		
Release to the income statement of losses for fair value on available-for-sale financial assets	16		-
Profits/(losses) of companies valued using the equity method	16		7.578
			-
Tax effect relating to other profits/(losses) which will be subsequently reclassified to profit or (loss)		15	204
Total Other profits / (losses) which will be subsequently reclassified to profits / (losses) for the period, net of taxes (B.2)		**(3.347)**	**6.568**
Total other profits/(losses), net of taxes (B)=(B.1)+(B.2)		**(3.301)**	**6.641**
Total comprehensive profit/(loss) (A) + (B)		**1.354**	**18.975**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interests		965	(16)
Profit (loss) pertaining to the Group		389	18.991

Statement of changes in consolidated equity for the half-year ended 30 June 2018

Amounts in thousands of Euro

	Share capital	Treasury shares	Capital reserves	Profit reserves	Reserve from remeasurement of defined benefit plans	Cash flow hedge reserve	Reserve from available-for-sale financial assets	Share of comprehensive profits/(losses) of companies valued using the equity method	Non-controlling interests	Total
Balance as at 1 January 2017	**87.907**	**(21.058)**	**53.716**	**86.442**	**(148)**	**-**	**3.871**	**18.329**	**22.650**	**251.709**
Changes in the consolidation scope	-	-	-	253	(253)	-	-	-	1.402	**1.402**
Share-based payments (SARs Plan)	-			67						
Other changes	-	-	-	(828)	-	-	-	-	55	**(773)**
Dividends distributed	-	-	-	-	-	-	-	-	(2.000)	**(2.000)**
Total comprehensive profit/(loss)	-	-	-	12.547	87	-	(1.220)	7.578	(16)	**18.976**
Balance as at 30 June 2017	**87.907**	**(21.058)**	**53.716**	**98.481**	**(314)**	**-**	**2.651**	**25.907**	**22.091**	**269.314**
Balance as at 31 December 2017	**87.907**	**(21.058)**	**53.716**	**100.791**	**(396)**	**(66)**	**3.021**	**-**	**23.218**	**247.134**
Effects of the first-time adoption of IFRS 9				(1.360)			(3.021)			**(4.381)**
Balance as at 1 January 2018	**87.907**	**(21.058)**	**53.716**	**99.431**	**(396)**	**(66)**	**-**	**-**	**23.218**	**242.753**
Other changes				454					607	**1.061**
Dividends distributed		9.880		(9.880)						**-**
Total comprehensive profit/(loss)				3.454	37	(81)			965	**4.375**
Balance as at 30 June 2018	**87.907**	**(11.178)**	**53.716**	**93.459**	**(359)**	**(147)**	**-**	**-**	**24.790**	**248.188**

Consolidated cash flow statement

Amounts in thousands of Euro	Notes	30.06.2018	30.06.2017
OPERATING ACTIVITIES			
Net income (loss) for the period pertaining to the Parent Company and non-controlling interests		**4.655**	**12.334**
Adjustments to reconcile net income (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		764	141
Deferred taxes		(2.306)	144
Depreciation of property, plant and equipment		2.567	423
Amortisation of intangible assets and write-downs		201	27
Dividends received		(215)	(152)
Financial income		(2.072)	(2.339)
Financial expenses		5.174	3.812
Allocations to provisions for risks and charges		234	92
Provisions for employee severance indemnity		783	330
Expenses for incentive plan with settlement option through equity instruments		-	68
Other net non-operating/monetary income/(expenses)		42	740
Profits/(losses) of investments valued according to the equity method		585	(15.159)
Write-downs (reversals of impairment losses) on receivables		(479)	102
Losses on receivables		88	(0)
Capital gains (losses) from transfer of investments and financial assets		-	(4.937)
Write-downs (reversals of impairment losses) on financial assets		(1.224)	2.173
Profits/(losses) from trading of financial assets		-	(182)
Cash flows from operating activities before changes in working capital		**8.798**	**(2.384)**
			-
(Increase)/decrease in property inventories		3.576	3.906
(Increase)/decrease in other current assets		(2.730)	2.168
Increase/(decrease) in trade payables and other current liabilities		4.322	6.825
Cash and cash equivalents generated (absorbed) by operating activities		**13.967**	**10.515**
Usage of provisions for risks and charges		(344)	(99)
Payments of employee severance indemnity		(418)	(470)
Change in tax payables/receivables		1.134	1.132
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**14.339**	**11.078**
INVESTING ACTIVITIES			
Dividends received on financial assets		215	152
Investments in:			
Investments		(80)	(890)
Other financial assets		-	(300)
Financial assets held for trading		-	(1.470)
Other non-current assets (property, plant and equipment, intangible assets and other)		(4.989)	(6.280)
Cash flow connected to business combinations:			
Zaffiro Sanremo business unit		(700)	-
Ceramica Cielo S.p.A.		-	(11.825)
Realisation from disposal of:			
Investments		-	82
Other financial assets		2.061	11.248
Financial instruments held for trading		-	2.722
Net cash flow connected to assets held for sale		-	6.700
Other non-current assets (property, plant and equipment, intangible assets and other)			
(Increase) decrease in financial receivables		2.212	14.786
Interest collected		1.525	1.766
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES		**244**	**16.691**
FINANCING ACTIVITIES			
Increase (decrease) in payables due to banks and other lenders		(14.137)	(3.417)
Issue (redemption) of bonds		(942)	280
Interest paid		(4.669)	(3.793)
Change in financial liabilities		-	(4.989)
Payment of dividends to non-controlling interest		-	(2.000)
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**(19.747)**	**(13.919)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**(5.165)**	**13.849**
OPENING CASH AND CASH EQUIVALENTS (E)		155.471	85.468
CLOSING CASH AND CASH EQUIVALENTS (F= D+ E)		**150.306**	**99.317**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Amounts in thousands of Euro

	Notes	30.06.2018	*of which related parties*	*% incidence*	31.12.2017	*of which related parties*	*% incidence*
Non-current assets							
Intangible assets	4	70.361	-		68.862	-	
Property, plant and equipment	5	46.688	-		43.915	-	
Investments accounted for using the equity method	6	55.354	-		55.939	-	
Financial receivables	7	74.764	43.064	57,6%	81.776	44.957	55,0%
Other financial assets	8	24.441	-		25.279	-	
Sundry receivables and other assets	9	594	-		635	-	
Deferred tax assets	10	461	-		423	-	
		272.664	**43.064**	**15,8%**	**276.829**	**44.957**	**16,2%**
Current assets							
Inventories	11	87.111	-		90.678	-	
Financial receivables	12	1.863	-		396	-	
Current tax assets	13	7.495	-		9.451	-	
Sundry receivables and other assets	14	25.618	16	0,1%	22.957	25	0,1%
Cash and cash equivalents	15	150.306	-		155.471	-	
Total current assets		**272.394**	**16**	**0,0%**	**278.953**	**25**	**0,0%**
Assets held for sale		-	-		-	-	
Total assets		**545.058**	**43.080**	**7,9%**	**555.782**	**44.982**	**8,1%**
Equity							
Share capital		87.907	-		87.907	-	
Share premium		53.716	-		53.716	-	
Treasury shares		(11.178)	-		(21.058)	-	
Reserves		89.499	-		86.499	-	
Profit (loss) for the year		3.454	-		16.851	-	
Equity pertaining to the Group	16	**223.398**	**-**		**223.915**	**-**	
Non-controlling interests	17	24.790	-		23.218	-	
Total Equity		**248.188**	**-**		**247.134**	**-**	
Non-current liabilities							
Bonds	18	172.316	-		173.023	-	
Financial payables	19	53.922	-		50.942	-	
Other financial liabilities	20	7.585	-		7.550	-	
Provisions for personnel	21	5.136	-		4.787	-	
Deferred tax liabilities	22	7.946	-		10.222	-	
Provisions for risks and charges	23	2.260	-		2.282	-	
Sundry payables and other liabilities	24	141	-		141	-	
Total non-current liabilities		**249.305**	**-**	**0,0%**	**248.947**	**-**	**0,0%**
Current liabilities		-					
Bonds	25	3.255	-		3.072	-	
Financial payables	26	5.872			22.414	-	
Current tax liabilities	27	1.589	-		1.626	-	
Sundry payables and other liabilities	28	36.849	295	0,8%	32.588	1.263	3,9%
Total current liabilities		**47.565**	**295**	**0,6%**	**59.701**	**1.263**	**2,1%**
Liabilities held for sale		-			-		
Total equity and liabilities		**545.058**	**295**	**0,1%**	**555.782**	**1.263**	**0,2%**

CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Amounts in thousands of Euro

	Notes	30.06.2018	*of which related parties*	*% incidence*	30.06.2017	*of which related parties*	*% incidence*
Revenue	29	58.059	39	0,1%	18.869	78	0,4%
Other income	30	1.439	15	1,0%	352	21	6,0%
Variations in inventories	31	(3.576)			(3.906)		
Costs for purchases	32	(18.253)			(1.029)		
Costs for services	33	(13.317)	(585)	4,4%	(8.323)	(3.158)	37,9%
Personnel costs	34	(15.155)	(302)	2,0%	(8.228)	(168)	2,0%
Other costs	35	(1.313)			(1.255)		
Amortisation and value adjustments to intangible assets	36	(2.768)			(451)		
Allocations to the provision for risks	37	(234)			(92)		
Share of income (loss) of investments accounted for using the equity method	38	(585)			15.159		
Profit (loss) from non-recurring transactions		-			-		
Operating result (EBIT)		**4.297**			**11.095**		
Financial income	39	2.082	973	46,7%	2.339	1.490	63,7%
Financial expenses	40	(5.185)			(3.812)		
Dividends	41	215			152		
Profit (loss) from management of financial assets and investments	42	-			4.937		
Value adjustments to financial assets and receivables	43	1.703			(2.275)		
Profit (loss) from trading of financial assets	44	-			182		
		-			-		
Profit (loss) before taxes		**3.112**			**12.618**		
Income taxes	45	1.542			(285)		
Profit (loss) for the period		**4.655**			**12.334**		
Attributable to:							
Profit (loss) pertaining to non-controlling interests	46	1.201			(213)		
Profit (loss) pertaining to the Group		**3.454**			**12.547**		

Explanatory notes

1. Form and content of the financial statements

The consolidated half-yearly financial report is 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 consolidated half-yearly financial report is expressed in thousands of Euro.

2. Significant accounting standards and basis of preparation

2.1 General principles

The condensed half-yearly consolidated financial statements for the year ended 30 June 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 30 June 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 half-yearly financial statements for the 1 January 2018 - 30 June 2018 period were drafted according to IAS 34 Interim financial reporting. The half-yearly financial statements as at 30 June 2018 do not include all the additional information required in the annual financial statements and should be read together with the annual financial statements of the Group as at 31 December 2017. The explanatory notes are also presented in accordance with the minimum information required by IAS 34 and the additions deemed useful for a better understanding of the half-yearly financial report as at 30 June 2018.

The condensed half-yearly 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 24 of IAS 1, regarding the going concern assumption.

This section illustrates the general principles adopted in the drafting of the condensed half-yearly consolidated financial statements as at 30 June 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 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 condensed half-yearly consolidated 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 financial assets at fair value, as a balancing entry to the valuation reserve;
- 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 period 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 period (statement of comprehensive income and losses recorded) or in two separate statements: a table that shows the components of profit (loss) for the period (income statement) and a second table that starts from profit (loss) for the period 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 period, 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 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 Group's operating cycle, 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 period 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 condensed half-yearly consolidated financial statements are compared with
- the statement of financial position: 31 December 2017;
- the income statement: 30 June 2017;
- Statement of comprehensive income: 30 June 2017;
- Changes in equity: 30 June 2017;
- Cash flow statement: 30 June 2017.

It should be noted that, due to the change in the closing date of the previous period, the comparative figures in this half-yearly financial report refer to a period (1 January 2017 - 30 June 2017) that does not coincide with the half-year covered by the previous period's half-yearly financial report. In fact, in the previous period, with a duration of 15 months (1 October 2016 - 31 December 2017), the income statement of the condensed half-yearly consolidated financial statements referred to the six-month period 1 October 2016 - 31 March 2017.

The figures for the first half of the year are not fully comparable with those for the same period of the previous year due to the changes in the consolidation scope. 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.

It should also 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 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 thousands of Euro.

Events after the reporting period (IAS 10)

These condensed half-yearly consolidated financial statements were authorised for publication, in accordance with IAS 10, by the Board of Directors on 14 September 2018. 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, 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 life

An intangible asset shall be regarded by the Group 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 flows 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 charges 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)

<u>Associates</u>

The item includes interests held in:
- associates, recorded according to the equity method. Companies in which at least 20% of voting rights is 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 Ventures -, 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 & Sale"*.

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 Company 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 or loss for the period. Other net gains 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 profits / (losses) for the period
- for equities, dividends are recognised in profits / (losses) 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 profits / (losses) 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 profits / (losses) 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, 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 the 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 "Income (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 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 company 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 in a contra-item in the income statement.
For the determination of the fair value of financial instruments quoted 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 designated 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 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 company 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 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 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 commitment is made 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 commitment to meet (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 obligation to do so 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 commitment to do so 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 obligation to be fulfilled over time, the Group recognises revenue over time, evaluating progress towards complete fulfilment of the obligation to be carried out.

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 condensed half-yearly consolidated financial statements 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 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 estimate 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 or cash equivalents and debt securities.

Specifically, the new accounting standard establishes that, for financial assets not measured at fair value with an impact on the income statement, 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 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 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.
It should be noted that the Group did not set aside any deferred tax assets on tax losses, unless within the limits of the amount recorded under current taxes considered recoverable in the year through the fee due in accordance with the provisions of the tax consolidation contract.
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 cash outlay becomes possible but the amount cannot be determined, this is reported in the notes to the condensed half-yearly consolidated financial statements.

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 – 30 June 2018 was not characterised by changes to the estimate 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 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;
- it 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 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. However, a reasonable estimate of the effects cannot be provided until the Group completes a detailed analysis of the related contracts.

- 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.

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

As of the reporting date of these condensed half-yearly consolidated financial statements, the competent bodies of the European Union have not yet 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.

- 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.

- 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 approved by the European Commission through Regulation 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 & Sale.
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) Other financial assets measured at FVTPL
These assets are measured at fair value. Net profits and losses, including dividends or interest received, are recognised in profits / (losses) 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 or loss for the period. Other net gains 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 profits / (losses) for the period.

d) Equities measured at FVOCI
These assets are measured at fair value. Dividends are recognised in profits / (losses) 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 profits / (losses) for the period.

Losses due to impairment of 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 or cash equivalents and debt securities.

Specifically, the new accounting standard establishes that, for financial assets not measured at fair value with an impact on the income statement, 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" sites and reflecting the results of the analyses carried out, within the entire scope of the Group, in the consolidated data.

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

Amounts in thousands of Euro		IFRS 9 effect		
Items	31/12/2017	Classification & Measurement	Impairment (ECL)	01/01/2018
Assets				
Non-current financial receivables	81.776	-	(4.381)	77.395
- receivables amortized cost	*81.776*	*(20.592)*	*(4.381)*	*56.803*
- receivables FV P&L	*-*	*20.592*		*20.592*
Other non-current financial assets	25.279	-		25.279
- financial assets FV OCI	*25.279*	*(25.279)*		*-*
- financial assets FV P&L	*-*	*25.279*		*25.279*
Current financial receivables	396			396
IFRS 9 effect		***-***	***(4.381)***	
Liabilities and Equity				
Reserves (Group)	86.499	-	(4.381)	82.118
- Valuation reserve OCI IAS 39 (Group)	*3.021*	*(3.021)*		*-*
- Other Reserves (Group)	*83.478*	*3.021*	*(4.381)*	*82.118*
Non controlling interests (NCI)	23.218	-		23.218
- Valuation reserve OCI IAS 39 (NCI)	*218*	*(218)*		*-*
- Other (NCI)	*23.000*	*218*		*23.218*
IFRS 9 effect		***-***	***(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 with an impact on the income statement” 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 with an impact on the income statement" 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 with an impact on the income statement.

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

Amounts in thousands of Euro			
IAS 39 Classification	**IFRS 9 Classification**	**31/12/2017**	**01/01/2018**
Non-current financial receivables			
Loans & receivables	Amortised Cost	61.184	56.803
Loans & receivables	Fair Value through profit or loss	20.592	20.592
Total		**81.776**	**77.395**
Other non-current financial assets			
Available for sale - Investments	Fair Value through profit or loss	9.831	9.831
Available for sale - Funds	Fair Value through profit or loss	15.448	15.448
Total		**25.279**	**25.279**
Current financial receivables			
Loans & receivables	Amortised Cost	396	396
Total		**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 with balancing entry in the income statement, 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 coincidence 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 as a balancing entry to the valuation reserve, to financial assets measured at fair value with balancing entry in the income statement; 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 with an impact on the income statement;
  - equities amounting to EUR 9,8 million, for which the Company did not avail itself of the fair value measurement option as a balancing entry to the valuation reserve (FVOCI).

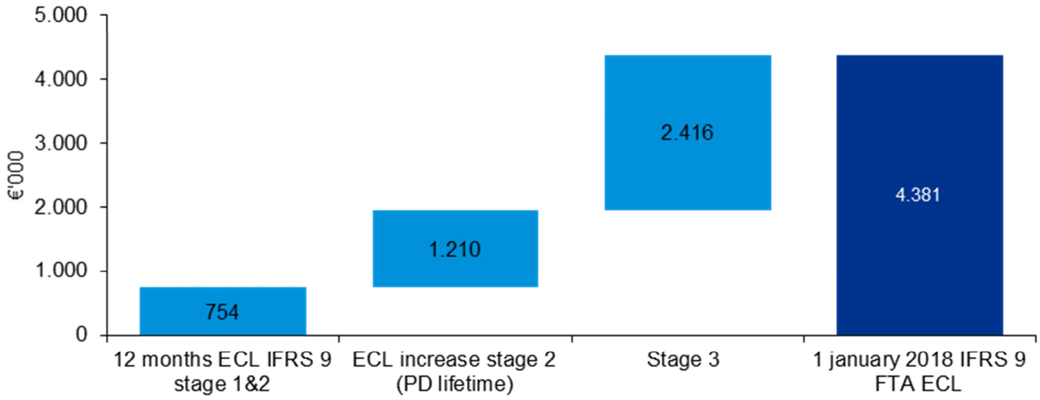
The valuation reserves in place at 31 December 2017 on certain available for sale financial assets, which amounted to a positive total of EUR 3,2 million (EUR 3,0 million attributable to the Group), were reduced to zero as a result of the aforementioned classification made in accordance with IFRS 9, 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 “PD lifetime”)
- 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 classified at amortised cost, since there are no debt instruments in the portfolio valued as a balancing entry to the valuation reserve;
- 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 Exposure At Default expected 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 to risk (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 (decay 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 "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 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.

3. Consolidation scope

The condensed half-yearly 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 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 investor'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 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 30 June 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;
- Zaffiro Costruzioni S.r.l., a 100% subsidiary of Gruppo Zaffiro S.r.l., was incorporated, 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 on 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 30 June 2018:

					Investment relationship			
	Company name	Office / Country	Type of relationship (a)	Consolidation method	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	Locaeffe S.r.l. in liquidation	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
4	Markfactor S.r.l. in liquidation	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
5	Mittel Advisory Debt and Grant S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
6	Mittel Advisory S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
7	Mittel Investimenti Immobiliari S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
8	Mittel Design S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100,00%	100,00%	100,00%
9	IMC S.p.A.	Carmagnola (TO)	(1)	Full	Mittel S.p.A.	75,00%	75,00%	75,00%
10	Gruppo Zaffiro S.r.l.	Martignacco (UD)	(1)	Full	Mittel S.p.A.	75,00%	75,00%	75,00%
Indirect subsidiaries:								
11	Breme S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
12	CAD Immobiliare S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
13	Ethica & Mittel Debt Advisory S.r.l.	Milan	(1)	Full	Mittel Advisory Debt and Grant	51,00%	51,00%	51,00%
14	FD33 S.r.l.	Milan	(1)	Full	Earchimede S.p.A.	100,00%	100,00%	85,01%
15	Fede S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
16	Gamma Tre S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
17	Iniziative Nord Milano S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
18	Lucianita S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
19	MiVa S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
20	Regina S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
21	Santarosa S.r.l.	Milan	(1)	Full	MII S.r.l.	100,00%	100,00%	100,00%
22	Fashion District Group S.r.l. in liquidation	Milan	(1)	Full	Earchimede S.p.A. - FD33 S.r.l.	66,66%	66,66%	56,67%
23	Parco Mediterraneo S.r.l.	Milan	(1)	Full	Fashion District G.	100,00%	100,00%	56,67%
24	Zaffiro Ancona S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
25	Zaffiro Ancona Uno S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
26	Zaffiro Costruzioni S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
27	Zaffiro Fagagna S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
28	Zaffiro Fermo S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
29	Zaffiro Magnano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
30	Zaffiro Martignacco S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
31	Zaffiro Montesicuro S.r.l.	Ancona	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
32	Zaffiro Rivignano S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
33	Zaffiro San Lorenzo S.r.l.	San Lorenzo in Campo (PU)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
34	Zaffiro Sanremo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
35	Zaffiro Sviluppo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
36	Zaffiro Tarcento S.r.l.	Tarcento (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
37	Zaffiro Urbania S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	75,00%
38	Ceramica Cielo S.p.A.	Fabrica di Roma (VT)	(1)	Full	Mittel Design S.r.l.	80,00%	80,00%	80,00%
39	Balder S.r.l.	Milan	(1)	Full	IMC S.p.A.	100,00%	100,00%	75,00%
B. Companies consolidated using the equity method								
Direct associates:								
1	Mittel Generale Investimenti S.r.l.	Milan	(6)	Equity method	Mittel S.p.A.	27,00%	27,00%	27,00%
2	Bios S.p.A.	Milan	(4)	Equity method	Mittel S.p.A.	50,00%	50,00%	50,00%
3	Mit.Fin. S.p.A.	Milan	(6)	Equity method	Mittel S.p.A.	30,00%	30,00%	30,00%
Indirect associates:								
4	Superpartes S.p.A.	Brescia	(7)	Equity method	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 investor'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 cast the majority of votes 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 30 June 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 six-month period ended 30 June 2018, a number of changes occurred in the consolidation scope. Detailed information on the most significant change 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 is EUR 1,2 million and includes 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 Euro	
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.

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 30 June 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 30 June 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 30 June 2018.

Equity investments with significant non-controlling interests: accounting information

Amounts in thousands of Euro

Subsidiaries:	**Balder S.r.l.**	**Ghea S.r.l.**	**IMCS.p.A.**	**Ethica&Mittel Debt Advisory S.r.l.**	**Lucianita S.r.l.**	**Earchimede S.p.A.**	**FD 33 S.r.l.**	**Fashion District Group S.r.l.**	**Parco Mediterraneo S.r.l.**	**Ceramica Cielo S.p.A.**	**Gruppo Zaffiro**
Gross operating margin (EBITDA)	**526**	**(22)**	**5.864**	**258**	**(477)**	**(63)**	**(7)**	**(148)**	**(66)**	**2.970**	**1.355**
of which:											
Revenue	*1.839*	*0*	*21.703*	*824*	*612*	*0*	*0*	*15*	*0*	*13.438*	*14.031*
Variations in inventories	*378*	*0*	*747*	*0*	*(216)*	*0*	*0*	*0*	*0*	*(111)*	*0*
Costs for purchases	*(1.151)*	*0*	*(11.623)*	*0*	*0*	*0*	*0*	*0*	*0*	*(4.218)*	*(979)*
Costs for services	*(283)*	*(17)*	*(2.064)*	*(147)*	*(33)*	*(58)*	*(5)*	*(56)*	*(20)*	*(3.567)*	*(5.090)*
Personnel costs	*(409)*	*0*	*(2.907)*	*(418)*	*0*	*0*	*0*	*(1)*	*0*	*(3.319)*	*(6.433)*
Operating result (EBIT)	**432**	**(22)**	**4.001**	**256**	**(407)**	**(63)**	**(7)**	**(91)**	**(89)**	**2.526**	**1.067**
of which:											
Amortisation/depreciation	*(93)*	*0*	*(1.847)*	*(1)*	*0*	*0*	*0*	*0*	*0*	*(444)*	*(282)*
Allocations	*(1)*	*0*	*(16)*	*0*	*70*	*0*	*0*	*57*	*(23)*	*0*	*(6)*
Financial income	1	492	3	0	0	0	2	54	0	26	0
Financial expenses	(1)	(79)	(724)	(2)	(2)	(2)	0	(0)	(47)	(61)	(539)
(Adjustments to) / reversals of impairment losses on financial assets	0	0	0	0	0	717	0	0	0	(22)	0
Profit (loss) before taxes	**432**	**390**	**3.280**	**255**	**(409)**	**652**	**(5)**	**(38)**	**(136)**	**2.469**	**528**
Income taxes	(112)	(123)	(962)	(74)	390	21	14	80	34	(636)	(384)
Profit (loss) for the period	**320**	**267**	**2.318**	**180**	**(20)**	**673**	**9**	**42**	**(102)**	**1.833**	**145**
of which Profit (loss) pertaining to non-controlling interests	80	131	580	88	(157)	101	1	18	(44)	367	36
Non-current assets	**1.126**	**21.084**	**42.633**	**26**		**5.977**	**0**	**2.967**	**0**	**10.098**	**55.916**
of which:											
Financial receivables	0	21.084	1.100	0		0	0	2.851	0	0	0
Other financial assets	0	0	0	0		5.477	0	0	0	0	0
Current assets	**2.842**	**4.018**	**22.218**	**1.264**		**3.316**	**3.659**	**7.237**	**3.709**	**19.715**	**5.233**
of which:											
Inventories	868	0	7.973	0		0	0	0	3.500	4.494	46
Financial receivables	0	0	0	0		0	0	0	0	0	0
Cash and cash equivalents	1.136	3.393	4.549	576		2.800	3.642	5.603	82	6.199	575
Total assets	**3.968**	**25.102**	**64.851**	**1.291**		**9.293**	**3.659**	**10.204**	**3.709**	**29.813**	**61.149**
Non-current liabilities	**81**	**2.085**	**34.888**	**276**		**0**	**0**	**617**	**2.874**	**4.866**	**32.437**
of which:											
Financial payables	0	0	28.496	0		0	0	0	2.851	3.333	22.961
Current liabilities	**2.706**	**7.700**	**13.293**	**472**		**100**	**10**	**2.734**	**425**	**10.138**	**10.622**
of which:											
Financial payables	1.100	4.033	1.274	0		0	0	0	0	1.567	2.559
Equity	**1.182**	**15.317**	**16.669**	**543**		**9.193**	**3.649**	**6.853**	**410**	**14.808**	**18.090**
of which attributable to non-controlling interests	***295***	***7.505***	***4.167***	***266***		***1.378***	***547***	***2.969***	***178***	***2.962***	***4.522***

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%	131	7.505	-
Lucianita S.r.l. *(2)*	-	-	(157)	-	-
Ceramica Cielo S.r.l.	20,00%	20,00%	367	2.962	-
Earchimede S.p.A.	14,99%	14,99%	101	1.378	-
FD 33 S.r.l.	14,99%	0,00%	1	547	-
Fashion District Group S.r.l. in liquidation	43,33%	33,34%	18	2.969	-
IMC S.r.l.	25,00%	25,00%	580	4.167	-
Balder S.r.l.	25,00%	0,00%	80	295	-
Parco Mediterraneo S.r.l.	43,33%	0,00%	(44)	178	-
Gruppo Zaffiro	25,00%	25,00%	36	4.522	-
Ethica&Mittel Debt Advisory S.r.l.	49,00%	49,00%	88	266	-
			1.201	24.790	-

(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 30 June 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 - Assets

Non-current assets

4. Intangible assets

Intangible assets amounted to EUR 70,4 million, up compared to EUR 68,9 million in the previous year.

The item saw the following changes:

	Goodwill	Trademarks and patents	Concessions and licences	Other	Total
Values as of 01.01.2018	**67.555**	**1.137**	**62**	**108**	**68.862**
Changes in the year:					
- acquisitions	487	17	64	117	685
- increase due to business combinations	-	-	-	-	-
- disposals	-	-	-	-	-
- reclassifications	-	-	-	-	-
- amortisation	-	(4)	(26)	(17)	(46)
- other changes	(3.437)	4.300	-	(3)	860
Total changes	**(2.950)**	**4.313**	**38**	**97**	**1.499**
Value as at 30.06.2018	**64.605**	**5.450**	**100**	**206**	**70.361**

The overall increase in this item of EUR 1,5 million is attributable to:

- 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;
- EUR 0,6 million for the purchase of the business branch carried out during the period by Zaffiro Sanremo S.r.l., established in February 2018, which involved the purchase of intangible assets for EUR 0,1 million and the recognition of goodwill for EUR 0,5 million.

Goodwill at 30 June 2018, amounting to EUR 64,6 million, is attributable to:

- EUR 39,7 million to Gruppo Zaffiro (and its subsidiaries), up by EUR 0,5 million due to the acquisition of the business branch by the subsidiary Zaffiro Sanremo S.r.l.;
- EUR 19,3 million for IMC (and the Balder subsidiary), 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 and patents item, amounting to EUR 5,4 million, is detailed as follows:

- EUR 4,3 million for the Ceramica Cielo trademark, the fair value of which was determined in this half-year following the completion of the PPA process;
- EUR 1,1 million for the Gruppo Zaffiro 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 - Amount pertaining to Net Assets (80%)	**5.609**
Acquisition price	14.600
Fair value of the cost of the business combination as at the acquisition date	**14.600**
Goodwill from the business combination	**8.991**

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 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.

(Amounts in thousands of Eur)	Data for goodwill allocation on PPA		
Summary of the goodwill allocation	**Net book values as at 22 June 2017**	**PPA (brand's surplus value)**	**PPA adjustment**
Net Assets/Liabilities	**7.011**	**4.300**	**11.311**
Amount pertaining to non-controlling interest (20%)	1.402	860	2.262
Amount pertaining to the Group (80%)	**5.609**	**3.440**	**9.049**
Acquisition price (80%)	14.600		14.600
Goodwill (on the acquired interest of 80%)	***8.991***	***(3.440)***	***5.551***

Goodwill Impairment test (Ceramica Cielo)

At 30 June 2018, as the process of allocating goodwill 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 purpose of the goodwill impairment test was to assess whether the book value at 30 June 2018 was stable and whether its economically recoverable value, based on the enterprise value (EV), of the only CGU identified, could be higher than the book value of the goodwill and net assets of the CGU.

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 sole legal entity being acquired, as assets or groups of assets generating cash inflows that are largely independent of cash inflows from other assets or groups of assets cannot be identified within the legal entity.

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 CGU identified ("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).

For the purposes of calculating the value in use, it was therefore necessary to estimate the following components.

Operating cash flows for the explicit projection period (2018-2021)

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 Ceramica Cielo S.p.A..
For the purposes of the model used to calculate value in use, the 2018-2021 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 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 **12,9%**, 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 **2,1%**.
  - 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 **0,90**.
    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 **1,13**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated *market risk premium* of **5,1%** was used for the Italian market;
  - From a prudential point of view, an overall specific risk premium/discount of **5%** has been set, which basically qualifies as: (i) an additional premium*(Small cap size premium)* on the cost of equity, in order to reflect the smaller size of the CGUs compared to the comparable panel; *t*his additional risk coefficient is related to the fact that Ceramica Cielo's business has a limited size and range of activities; (ii) a further specific risk factor determined by the intrinsic risk of the business sector and the reference market related to the limited liquidity and marketability of the investments ("Lack of

Marketabiltiy discount") which is applied to take account of the lower value of temporarily or relatively non-marketable investments.

- 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 **4,00%** 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 3,30%.

- 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 **10,4%.**

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).

(Amounts in thousands of Eur)	**Carrying Amount 30.06.2018**			**Impairment test 30.06.2018**	
Impairment test CGU	**Book value CGU before PPA (A)**	**PPA (surplus brand) (B)**	**Book value CGU after PPA A+B=(C)**	**Recoverable value (EV) (D)**	**Surplus (+) /Impairment loss (-) D-C**
Invested capital	***9.702***	***4.300***	***14.002***	***48.020***	
Amount pertaining to the Group (80%)	7.762	3.440	11.202	38.416	
Goodwill (on the acquired 80%)	8.991	(3.440)	5.551		
Invested capital by the Group + Goodwill	***16.753***	***-***	***16.753***	***38.416***	***21.663***

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 200 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 32% 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.

5. Property, plant and equipment

This item amounted to EUR 46,7 million, up by EUR 2,8 million compared to 31 December 2017. More specifically, the item saw the following changes:

	Land and buildings	Plant and machinery	Office machines and equipment	Other assets	Total
Values as of 01.01.2018	**14.603**	**26.690**	**1.142**	**1.479**	**43.915**
Changes in the year:					
- acquisitions	2.794	512	1.852	215	5.373
- disposals	-	-	-	(6)	(6)
- depreciation	(138)	(2.186)	(150)	(247)	(2.721)
- other changes	-	103	-	24	127
Total changes	**2.656**	**(1.570)**	**1.702**	**(14)**	**2.774**
Value as at 30.06.2018	**17.259**	**25.120**	**2.844**	**1.465**	**46.688**

The balance of the “Land and Buildings” item at 30 June 2018 mainly refers to EUR 10,8 million for the Nursing Home sector, EUR 3,2 million for Ceramica Cielo and EUR 3,2 million for Mittel S.p.A..
The increase in the item is mainly due to EUR 1,6 million for the purchase of the land of Pogliano Milanese carried out by the newly incorporated Zaffiro Costruzioni S.r.l. and the works carried out on the area by the same, and EUR 1,1 million for the increases attributable to Zaffiro Svilppo S.r.l., relating to the Rivignano nursing home (leased in the previous year and recognised at the end of the period at around EUR 9,2 million).

The balance of the “Plant and machinery” item is attributable to I.M.C. S.p.A. for EUR 22,4 million, Balder S.r.l. for EUR 0,7 million and Ceramica Cielo S.p.A. for EUR 2,0 million.
The increases and other changes recorded are mainly attributable to the acquisitions made by I.M.C. S.p.A., for EUR 0,3 million, Balder, for EUR 0,1 million, and Ceramica Cielo S.p.A. for EUR 0,2 million.
Depreciation of “Plant and machinery” mainly refers to the fleet operated by I.M.C. S.p.A., for EUR 1,8 million, and Balder, for EUR 0,1 million, as well as Ceramica Cielo S.p.A. plants for EUR 0,3 million.

The balance of the "Office machines and equipment" item is attributable to the Nursing Home sector for EUR 2,4 million, to Ceramica Cielo S.p.A. for EUR 0,2 million and to Mittel S.p.A. for EUR 0,1 million.
The increase in this item is mainly due to the contribution of Zaffiro Rivignano S.r.l. (EUR 0,8 million), Zaffiro Sanremo S.r.l. (EUR 0,6 million) and Zaffiro Sviluppo S.r.l. (EUR 0,3 million).

The “Other assets” item is mainly attributable, for EUR 1,1 million, to the Nursing Home sector.

6. Investments accounted for using the equity method

These totalled EUR 55,4 million, down by EUR 0,5 million.

	30.06.2018	31.12.2017
Mittel Generale Investimenti S.r.l.	5.400	5.400
Bios S.p.A.	49.405	49.972
Mit.Fin S.p.A.	90	90
Superpartes S.p.A.	459	477
	55.354	55.939

The change in the item is as follows:

Name/company name	% interest	Values as of 01.01.2018	Purchases	Transfers	Profit (loss) pro-rata	Adjustments to valuation reserve	Other changes	Dividends distributed	Value as at 30.06.2018
Associates									
Direct									
Mittel Generale Investimenti S.r.l.	27,00%	5.400	-	-	-	-	-	-	5.400
Bios S.p.A.	50,00%	49.972	-	-	(567)	-	-	-	49.405
Mit.Fin Compagnia Finanziaria S.p.A.	30,00%	90	-	-	-	-	-	-	90
Via Earchimede S.p.A.									
Superpartes S.p.A.	11,89%	477	-	-	(18)	-	-	-	459
		55.939	**-**	**-**	**(585)**	**-**	**-**	**-**	**55.354**

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**
Jointly controlled companies:					
Bios S.p.A.	98.910	49.405	-	-	**49.405**
	98.910	**49.405**	**-**	**-**	**49.405**
Companies subject to significant influence:					
Mittel Generale Investimenti S.r.l.	22.952	6.197	-	(797)	**5.400**
Mit.Fin Compagnia Finanziaria S.p.A.	299	90	-	-	**90**
Superpartes S.p.A.	785	93	364	-	**459**
	24.036	**6.380**	**364**	**(797)**	**5.949**
	122.946	**55.785**	**364**	**(797)**	**55.354**

Companies subject to joint control

As at 30 June 2018, the only company subject to joint control (joint venture) is Bios S.p.A., an entity for which, on a statutory basis, control is shared between Mittel S.p.A. and Tower 6 S.à.r.l., in view of the fact that decisions about the relevant activities require the unanimous consent of both parties sharing control.
Bios S.p.A. has a share capital of EUR 3.000.000 divided into 1.500.000 ordinary shares and 681.818 category B shares without voting rights. Mittel S.p.A. owns 750.000 ordinary shares.
The income statement and statement of financial position figures as at 30 June 2018 of Bios S.p.A., adjusted in compliance with IFRS for application of the equity method for the purposes of Group consolidation and the reconciliation between the summary of the economic-financial data presented and the book value of the joint interests, are detailed below:

Jointly controlled companies (thousands of Euro)	Bios S.p.A.
Non-current assets	**-**
Current assets	**121.647**
of which: Cash and cash equivalents	121.639
Total assets	**121.647**
Equity	**98.810**
Non-current liabilities	**22.022**
Current liabilities	**815**
Total equity and liabilities	**121.647**
Costs for services	(60)
Gross operating margin (EBITDA)	**(60)**
Allocations	(610)
Operating result (EBIT)	**(670)**
Financial income	28
Financial expenses	(492)
Profit (loss) before taxes	**(1.134)**
Income taxes	-
Profit (loss) for the period (1)	**(1.134)**
Other profits/(losses) components net of taxes (2)	-
Comprehensive profit (loss) (3) = (1) + (2)	**(1.134)**
% Interest	*50%*
Pro-rata comprehensive profit (loss)	**(567)**

In terms of significant restrictions on Bios S.p.A.'s ability to transfer funds to the investor, it should be noted that the loan agreements previously in place with the lenders provided for the possibility of distributing dividends subject to the transfer of investments in Livanova Plc held and limited to the available resources after the fulfilment of the obligations with repayment priorities based on the contractual agreements. The creditors held Livanova Plc shares as pledges on the existing loans. These loans have been fully repaid and therefore the pre-existing restrictions have been lifted.

It should be noted that in statutory terms, Ghea S.r.l., currently sole holder of Bios B shares, has the right to participate, on a priority basis with respect to the ordinary shares, in the distribution of profits, as with all reserves resolved by the shareholders' meeting, for EUR 17,0 million, plus a return of 4,875% capitalised on an annual basis and effective from 22 December 2013.
In the consolidated financial statements of the Mittel Group the B shares held by Ghea S.r.l. (fully consolidated by Mittel S.p.A.) in Bios S.p.A. are consequently shown as a financial receivable for a total amount of EUR 21,1 million. This means that as regards the impact of IAS/IFRS for Bios, subject to consolidation, these shares are represented as financial debt, for the same amount.

Lastly, with reference to the risks associated with events or circumstances which could theoretically expose the Group to a loss in relation to joint interests, it should be noted that Bios S.p.A. has a dispute in progress relating to the Snia S.p.A. (under extraordinary administration) proceedings described in the previous paragraph "Main ongoing legal proceedings".

Associates

Economic and financial data from the financial statements of the main associate Mittel Generale Investimenti, as of 30 June 2018, is detailed below:

Companies subject to significant influence	Mittel Generale Investimenti S.r.l.
(thousands of Euro)	
Non-current assets	**10.936**
Financial receivables	8.549
Current assets	**35.693**
Financial receivables	33.297
Cash and cash equivalents	1.477
Total assets	**46.629**
Equity	**22.952**
Non-current liabilities	**1.446**
Current liabilities	**22.231**
Financial payables	21.981
Total equity and liabilities	**46.629**

Income statement	
Other income	433
Costs for services	(305)
Personnel costs	(153)
Other costs	(106)
Operating result (EBIT)	**(131)**
Financial income	1.099
Financial expenses	(481)
Value adjustments to receivables	(41)
Profit (loss) before taxes	**447**
Income taxes	(43)
Profit (loss) for the period (1)	**404**
Other profits/(losses) components net of taxes (2)	-
Comprehensive profit (loss) (3) = (1) + (2)	**404**

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 74,8 million, down by EUR 7,0 million.

	30.06.2018	31.12.2017
Loans	74.564	81.576
Other receivables	200	200
Security deposits	-	-
	74.764	**81.776**

The “Loans” item is composed as follows:

	30.06.2018	31.12.2017
- Loans - financial institutions	9.806	10.000
- Loans - customers	64.758	71.576
	74.564	**81.576**

The “Loans” item mainly includes:

- EUR 43,7 million in loans from the parent company Mittel S.p.A.;
- EUR 21,1 million, the Ghea loan due from Bios S.p.A.;
- EUR 9,8 million due to Mittel S.p.A. from Fondo Augusto.

The decrease, partially offset by the increase due to interest accrued and not collected, is mainly due to: (EUR 4,4 million) for the effect of the first-time adoption of the new accounting standard IFRS 9, (EUR 2,3 million) for the partial collection of the loan granted by Mittel S.p.A. to Mittel Generale Investimenti S.r.l. (vendor loan), and (EUR 1,3 million) for the reclassification of a receivable as a current financial receivable.

Please refer to note 2 for details on the first-time adoption of IFRS 9, with particular reference to the described impact on the balance sheet of EUR 4,4 million, due to the effects of the adjustment to the incurred loss measurement criterion envisaged by the new standard. It should be noted that IFRS 9 also led to an internal reclassification of the item on the receivable due from Bios, which changed from the portfolio of assets measured at amortised cost to that of non-current financial assets measured at fair value with balancing entry in the income statement, due to the failure of the SPPI test. There were no valuation effects recorded in the transition, as a result of the coincidence of the book value based on the amortised cost with the fair value of the reclassified receivable.

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

8. Other financial assets

These amounted to EUR 24,4 million, down by EUR 0,9 million.

The item is composed as follows:

	30.06.2018	31.12.2017
Financial assets		
Equities and fund units	24.441	25.279
Bonds	-	-
Derivative financial instruments	-	-
Financial assets measured at fair value	-	-
	24.441	**25.279**

The item includes equities and mutual fund units classified, up to 31 December 2017, as available-for-sale financial assets in accordance with IAS 39, with consequent fair value measurement as a balancing entry to the valuation reserve. On 1 January 2018, as a result of the first-time adoption of IFRS 9, the entire portfolio of non-current financial assets was classified within the category of financial assets at fair value with balancing entry in the income statement, with the consequent reduction to zero of the existing valuation reserve at 31 December 2017, with a balancing entry in a reserve for the first-time adoption of IFRS 9.

The breakdown of this item is shown below:

	30.06.2018	31.12.2017
Financial assets		
Equities and fund units:		
Fondo Augusto	12.623	12.509
Equinox Two S.c.a.	5.457	6.337
Fondo Cosimo I	2.916	2.939
SIA - SSB S.p.A.	1.400	1.400
Opera 2 Partecipations S.C.A.	178	178
Medinvest International S.A.	916	951
Investitori Associati II S.A.	849	862
Nomisma S.p.A.	100	100
Isfor 2000 S.c.p.a.	3	3
	24.441	**25.279**

The following table, on the other hand, shows detailed changes for the half-year:

Name/company name	Value as at 01/01/2018	Purchases and subscriptions	Recall of funds (Reimbursements)	Transfers	Capital gains (losses)	Write-downs for impairment	Fair value adjustments	Reclassification on current and other charges	Value as at 30/06/2018
Equities and fund units:									
Fondo Augusto	12.509	-	-	-	114	-	-	-	12.623
Equinox Two S.c.a.	6.337	-	(2.061)	-	1.181	-	-	-	5.457
Fondo Cosimo I	2.939	-	-	-	-	(23)	-	-	2.916
SIA - SSB S.p.A.	1.400	-	-	-	-	-	-	-	1.400
Opera 2 Partecipations S.C.A.	178	-	-	-	-	-	-	-	178
Medinvest International S.A.	951	-	-	-	-	(35)	-	-	916
Investitori Associati II S.A.	862	-	-	-	-	(13)	-	-	849
Nomisma S.p.A.	100	-	-	-	-	-	-	-	100
Isfor 2000 S.c.p.a.	3	-	-	-	-	-	-	-	3
	25.279	**-**	**(2.061)**	**-**	**1.295**	**(71)**	**-**	**-**	**24.441**

Reimbursements, amounting to EUR 2,1 million, and capital gains, amounting to EUR 1,3 million, refer mainly to Equinox Two Sca.

9. Sundry receivables and other assets

The “Sundry receivables and other non-current assets” item totalled EUR 0,6 million (EUR 0,6 million as at 31 December 2017) and is composed as follows:

	30.06.2018	31.12.2017
Tax receivables	146	147
Other receivables	146	146
Other assets	302	342
	594	**635**

10. Deferred tax assets

These amounted to EUR 0,5 million, up by EUR 0,1 million.

	30.06.2018	31.12.2017
Tax assets recognised in profit or loss	397	351
Tax assets recognised in equity	64	73
	461	**423**

	30.06.2018	31.12.2017
Deferred tax assets		
Assets/liabilities held for trading	-	-
Investments	-	-
Property, plant and equipment/intangibles assets	172	98
Allocations	-	-
Other assets/liabilities	290	326
Receivables	-	-
Losses carried forward	-	-
Other	-	-
	461	**423**

Changes in the “tax assets recognised in profit and loss” item are as follows:

	30.06.2018	31.12.2017
Opening balance	**351**	**1.227**
Increases	**88**	**173**
Deferred tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	88	173
Decreases	**(42)**	**(1.050)**
Deferred tax assets cancelled in the period:	**-**	**(1.219)**
- reversals	-	(1.219)
Decreases in tax rates	-	-
Other decreases	(42)	169
	397	**351**

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

	30.06.2018	31.12.2017
Opening balance	**73**	**29**
Increases	**2**	**71**
Deferred tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	2	71
Decreases	**(11)**	**(27)**
Deferred tax assets cancelled in the period:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(11)	(27)
	64	**73**

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 30 June 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 which can be recovered within a time period implicit in the Group’s planning.

The tax losses of companies included in the Mittel tax consolidation, after offsetting performed for the purpose of the financial statements as at 30 June 2018, totalled EUR 47,7 million. The Group companies did not recognise any deferred tax assets on tax losses, unless within the limits of the amount recorded under current taxes considered recoverable in the period through the fee due in accordance with the provisions of the tax consolidation contract.

In addition to the tax consolidation losses, Mittel S.p.A. recorded, following the positive response received last year to the questions submitted, tax losses of EUR 60 million relating to the merged companies Hopa S.p.A. and Tethys S.p.A., in respect of which, for the above reasons, no deferred tax assets were 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 highly profitable operating companies with substantial taxable income. The latter situation will also allow for, through the inclusion of newly acquired companies in the tax consolidation of Mittel S.p.A., the valuation of the Group's substantial previous tax losses, currently not valued.

Current assets

11. Inventories

As at 30 June 2018, the item amounted to EUR 87,1 million, a decrease of EUR 3,6 million compared to the previous year. In particular, the item is composed as follows:

	30.06.2018	31.12.2017
Property inventories	73.731	78.321
Inventories of goods and products	8.907	9.233
Inventories of raw materials	4.473	3.124
	87.111	**90.678**

Property inventories

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

	30.06.2018	31.12.2017
Breme S.r.l.	10.100	10.100
CAD Immobiliare S.r.l.	10.095	13.400
Fede S.r.l.	6.304	6.304
Gamma Tre S.r.l.	3.900	3.900
Iniziative Nord Milano S.r.l.	3.466	3.500
Lucianita S.r.l.	695	911
Mittel Investimenti Immobiliari S.r.l.	7.672	8.812
MiVa S.r.l.	13.301	13.299
Parco Mediterraneo S.r.l.	3.500	3.500
Regina S.r.l.	1.552	1.552
Santarosa S.r.l.	13.147	13.043
Total	**73.731**	**78.321**

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

	31.12.2017	Increase for capitalisation of costs	Decrease for sales	Impairment losses	Other changes	30.06.2018
Breme S.r.l.	10.100	-	-	-	-	10.100
CAD Immobiliare S.r.l.	13.400	-	(3.305)	-	-	10.095
Fede S.r.l.	6.304	-	-	-	-	6.304
Gamma Tre S.r.l.	3.900	-	-	-	-	3.900
Iniziative Nord Milano S.r.l.	3.500	-	(34)	-	-	3.466
Lucianita S.r.l.	911	-	(527)	-	310	695
Mittel Investimenti Immobiliari S.r.l.	8.812	-	(1.140)	-	-	7.672
MiVa S.r.l.	13.299	2	-	-	-	13.301
Regina S.r.l.	1.552	-	-	-	-	1.552
Santarosa S.r.l.	13.043	139	(35)	-	-	13.147
Total	**78.321**	**140**	**(5.041)**	**-**	**310**	**73.731**

Inventories of raw materials, goods and products

Industrial Group companies contribute to this category of inventories. In particular, the item is composed as follows:
- EUR 8,0 million for IMC S.p.A.;
- EUR 4,5 million for Ceramica Cielo S.p.A.;
- EUR 0,9 million for Balder S.r.l..

12. Financial receivables

As at 30 June 2018, the item amounted to EUR 1,9 thousand, an increase of EUR 1,5 million, and is composed as follows:

	30.06.2018	31.12.2017
Loans	1.863	66
Other receivables	-	330
Security deposits	-	-
	1.863	**396**

The “Loans” item is composed as follows:

	30.06.2018	31.12.2017
Loans - financial institutions	-	-
Loans - customers	1.863	66
	1.863	**66**

The increase in this item is due to the reclassification of a receivable from non-current to current. With reference to this position, following the assessment of the full recoverability of the receivable (the entire amount was effectively collected in July 2018), the allowance for impairments, prudentially allocated in previous years, was released.

13. Current tax assets

As at 30 June 2018, the item amounted to EUR 7,5 million, a decrease of EUR 2,0 million.

	30.06.2018	31.12.2017
IRES (corporate income tax)	6.605	8.111
IRAP (regional business tax)	890	1.339
Other taxes	-	-
	7.495	**9.451**

The main components of current IRES assets include EUR 3,4 million in tax receivables arising from tax receivables deriving from withholding taxes and advances paid to date by Mittel S.p.A., EUR 0,4 million for Earchimede S.p.A. and EUR 0,1 million for Balder S.r.l., EUR 0,4 million for corporate income tax (IRES) receivables of companies in the property sector, EUR 0,1 million for corporate income tax (IRES) receivables of companies in the advisory sector, EUR 1,0 million for corporate income tax (IRES) receivables relating to the nursing home sector, EUR 0,6 million for IMC S.p.A. and EUR 0,5 million for Ghea, following the transfer of the corporate income tax (IRES) receivable by the parent company. The total amount of IRES receivables decreased due to the effect of the compensations made by the Group companies with taxes payable by the same.
The IRAP receivable is mainly due to payments on account made by Mittel S.p.A. (EUR 0,6 million), Ghea S.r.l. (EUR 0,1 million), Earchimede S.p.A. (EUR 0,1 million) and by companies in the Nursing Home sector (EUR 0,1 million).

The item showed the following changes:

	30.06.2018	31.12.2017
Opening balance	**9.451**	**10.505**
Increases	**98**	**1.296**
Current tax assets recorded in the period:	**-**	**280**
- relating to previous years	-	-
- other	-	280
Other increases	98	1.016
Decreases	**(2.053)**	**(2.350)**
Current tax liabilities cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	(2.053)	(2.350)
	7.495	**9.451**

14. Sundry receivables and other assets

As at 30 June 2018, the item amounted to EUR 25,6 million, an increase of EUR 2,6 million, and was composed as follows:

	30.06.2018	31.12.2017
Trade receivables	20.503	17.504
Receivables from leases	-	-
Other tax receivables	2.820	2.687
Other receivables	1.473	2.212
Accrued income and prepaid expenses	822	555
	25.618	**22.957**

The trade receivables item is mainly made up of receivables from customers deriving from the core business of Group companies; in particular, they refer to the automotive sector for EUR 8,8 million, to Ceramica Cielo S.p.A. for EUR 8,8 million, to the nursing home sector for EUR 2,1 million and to the advisory sector for EUR 0,8 million.

Tax receivables mainly refer to (i) the Group VAT receivable for EUR 0,4 million, (ii) the VAT receivable related to the Nursing Home sector for EUR 0,3 million and (iii) the VAT receivable related to individual companies, such as Parco Mediterraneo S.r.l. for EUR 0,1 million, Fashion District Group S.r.l. in liquidation for EUR 1,4 million, I.M.C. S.p.A. for EUR 0,4 million and Balder for EUR 0,1 million. As far as VAT receivables are concerned, requests for refunds were submitted for EUR 1,6 million.

The “other receivables” item is mainly due to the contribution of: (i) the automotive sector (EUR 0,4 million); (ii) the property sector (EUR 0,4 million), mainly with reference to Cad Immobiliare S.r.l.; (iii) the Nursing Home sector (EUR 0,3 million); (iv) Mittel S.p.A. (EUR 0,1 million); (v) Ceramica Cielo S.p.A. (EUR 0,1 million); (vi) Fashion District Group S.r.l. in liquidation (EUR 0,1 million); (vi) the advisory sector (EUR 0,1 million).
The “Accrued income and prepaid expenses” item is mainly attributable to the Parent Company (EUR 0,3 million), for the deferral of charges for insurance policies taken out by Mittel S.p.A. and its subsidiaries, to the automotive sector (EUR 0,2 million) and to the nursing home sector (EUR 0,2 million).

15. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 150,3 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:

	30.06.2018	31.12.2017
Cash	83	74
Bank and postal deposits	150.223	155.397
	150.306	**155.471**

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

Equity

16. Equity pertaining to the Group

Equity pertaining to the Group stood at EUR 223,4 million, a decrease of EUR 0,5 million over 31 December 2017.

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

	30.06.2018	31.12.2017
Share capital	87.907	87.907
Legal reserve	16.760	16.760
Treasury shares	(11.178)	(21.058)
Share/holding premium reserve	53.716	53.716
Valuation reserves	(506)	2.559
Other reserves	34.359	45.374
Profit (loss) of previous years	38.886	21.806
Profit (loss) for the period	3.454	16.851
Equity	**223.398**	**223.915**

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.

Treasury shares

As at 30 June 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 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 with balancing entry in the income statement, the reserve was reduced to zero, with a balancing entry in a reserve for the first-time adoption of IFRS 9.

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

Amounts in thousands of Euro

VALUATION RESERVE	Valuation reserve pertaining to the Group as at 01.01.2018	Effects of the first-time adoption of IFRS 9	Fair value changes: Increases	Fair value changes: Decreases	Release of reserve to the income statement for transfers of financial assets	Release of reserve to the income statement for fair value losses	Valuation reserve pertaining to the Group as at 30.06.2018	Share pertaining to non-controlling interests as at 30.06.2018	Total valuation reserve as at 30.06.2018
Financial assets:									
Fondo Cosimo I	94	(94)	-	-	-	-	-	-	-
SIA - SSB SpA	1.168	(1.168)	-	-	-	-	-	-	-
Equinox SCA (quota di Mittel)	522	(522)	-	-	-	-	-	-	-
Equinox SCA (quota di Earchimede)	812	(812)	-	-	-	-	-	-	-
Investitori Associati II SA (in liquidation)	425	(425)	-	-	-	-	-	-	-
Total	**3.021**	**(3.021)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-						-		
Investments measured using the equity method:									
Bios SpA	-	-	-			-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Cash flow hedge reserve									
Hedging derivatives	(66)	-	(81)		-	-	(147)	(48)	(195)
Total	**(66)**	**-**	**(81)**	**-**	**-**	**-**	**(147)**	**(48)**	**(195)**
Employee defined benefit plans (IAS 19 revised):									
Actuarial reserve	(396)		37			-	(359)	(87)	(446)
	(396)	**-**	**37**	**-**	**-**	**-**	**(359)**	**(87)**	**(446)**
	2.559	**(3.021)**	**(44)**	**-**	**-**	**-**	**(506)**	**(135)**	**(641)**

Other comprehensive income/(expense)

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

Amounts in thousands of Euro			Non-controlling interests		Profit (loss) pertaining to the Group	
	01.01.2018 30.06.2018	**01.01.2017 30.06.2017**	**01.01.2018 30.06.2018**	**01.01.2017 30.06.2017**	**01.01.2018 30.06.2018**	**01.01.2017 30.06.2017**
Profit (loss) for the period (A)	**4.655**	**12.334**	**1.201**	**(213)**	**3.454**	**12.547**
Effective part of the profits/(losses) on cash flow hedges	(108)	-	(27)		(81)	-
Profits/(losses) from trading of financial assets	(3.254)	(1.214)	(218)	212	(3.036)	(1.426)
Profits/(losses) of companies valued using the equity method		7.578	-	-	-	7.578
Profits/(losses) from remeasurement of defined benefit plans	58	100	12	(12)	46	112
Tax effect relating to other profits/(losses)	3	177	(3)	(3)	6	180
Total other income/(expense), net of taxes (B)	**(3.301)**	**6.641**	**(236)**	**197**	**(3.065)**	**6.444**
Total comprehensive income/(expense) (A) + (B)	**1.354**	**18.975**	**965**	**(16)**	**389**	**18.991**

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

	01.01.2018 30.06.2018			**01.01.2017 30.06.2017**		
	Gross value	**Tax expense/benefit**	**Net value**	**Gross value**	**Tax expense/benefit**	**Net value**
Effective part of the profits/(losses) on cash flow hedges	(108)	-	(108)	-	-	-
Profits/(losses) from trading of financial assets	(3.254)	15	(3.239)	(1.214)	204	(1.110)
Profits/(losses) of companies valued using the equity method	-	-	-	7.578	-	7.578
Profits/(losses) from remeasurement of defined benefit plans	58	(12)	46	100	(27)	73
Total other profits/(losses)	**(3.304)**	**3**	**(3.301)**	**6.464**	**177**	**6.641**

17. Non-controlling interests

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

	30.06.2018	31.12.2017
Share capital pertaining to non-controlling interests	10.432	11.179
Treasury shares pertaining to non-controlling interests	-	-
Other reserves pertaining to non-controlling interests	13.292	13.622
Non-controlling interests - Reserve from financial assets	-	218
Non-controlling interests - Cash flow hedge reserve	(48)	(21)
Non-controlling interests - Actuarial reserve IAS 19	(87)	(96)
Profit (loss) for the period pertaining to non-controlling interests	1.201	(1.684)
Equity pertaining to non-controlling interests	**24.790**	**23.218**

Non-current liabilities

18. Bonds

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

	30.06.2018	31.12.2017
Current portion	3.255	3.072
Non-current portion	172.316	173.023
	175.571	**176.096**

As at 30 June 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 rate of 6,00%, with maturity on 14 July 2019 and half-yearly coupon payment, represented by a residual 49.335.873 bonds with a nominal value of EUR 0,88, for an overall nominal value of EUR 43.415.568;
- “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 30 June 2018, the book value of the liability for bonds breaks down as follows:

	30.06.2018	31.12.2017
“Mittel S.p.A. 2017-2023" bonds TF 3,75%		
Current portion	2.049	2.089
Non-current portion	129.230	129.205
Total "Mittel S.p.A. 2017-2023" bonds TF 3,75%	**131.279**	**131.294**
“Mittel S.p.A. 2013-2019" bonds TF 6%		
Current portion	1.206	983
Non-current portion	43.086	43.818
Total "Mittel S.p.A. 2013-2019" bonds TF 6%	**44.292**	**44.801**
Total bonds	***175.571***	***176.096***

The table below shows the differentials between the face values of each bond issue (including the coupon accrued at 30 June 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.

	30.06.2018	31.12.2017
Current portion		
"Mittel S.p.A. 2013-2019" bonds TF 6% (coupon in the process of maturity)	1.206	983
Non-current portion		
“Mittel S.p.A. 2013-2019" bonds TF 6% (repayment value at maturity)	43.416	44.308
Total nominal repayment	**44.622**	**45.291**
Measurement at amortised cost	(330)	(490)
Total book value	**44.292**	**44.801**

	30.06.2018	31.12.2017
Current portion		
"Mittel S.p.A. 2017-2023" bonds TF 3,75% (coupon in the process of maturity)	2.049	2.089
Non-current portion		
"Mittel S.p.A. 2017-2023" bonds TF 3,75% (repayment value at maturity)	129.515	129.515
Total nominal repayment	**131.564**	**131.604**
Measurement at amortised cost	(285)	(310)
Total book value	**131.279**	**131.294**

During the half-year, and in particular in June, Mittel S.p.A. carried out several repurchase transactions on the market on the 2013-2019 loan, for a total quantity of securities equal to 1.014.100 (total nominal value of EUR 892 thousand), at a purchase value, including the accrual in progress, of EUR 942 thousand, a value slightly higher than the book value, equal to EUR 907 thousand.

The fair value at 30 June 2018 of the bond issues is as follows:

- for the 2013-2019 bond, EUR 0,9116712 per security (103.599 on a 100 basis), for a total market value of EUR 44.978.095;
- for the 2017-2023 bond, EUR 0,9036815 per security (100,97 on a 100 basis), for a total market value of EUR 130.771.011.

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).

19. Financial payables

As at 30 June 2018, the item amounted to EUR 53,9 million, an increase of EUR 3,0 million over the previous year.

The item is composed as follows:

	30.06.2018	31.12.2017
Bank loans	45.183	40.769
Other loans	1.836	1.781
Financial lease payables	6.055	5.959
Other current financial payables	848	2.433
	53.922	**50.942**

The main contributions to the "bank loans" item are as follows: I.M.C. S.p.A. for EUR 21,1 million, the Nursing Home sector for EUR 16,4 million, Mittel Design S.r.l. for EUR 4,6 million and Ceramica Cielo S.p.A. for EUR 3,1 million.
The "Other loans" item consists of the loan from the third party shareholder of IMC, 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) the "third party" shareholder loan received from Fede S.r.l. for EUR 0,1 million; (ii) payables for financial leasing operations of Ceramica Cielo S.p.A. for EUR 0,2 million and (iii) the payable recorded by Zaffiro Sanremo S.r.l., for an amount of EUR 0,5 million, relating to the portion of the potential deferred price of the purchase of the business branch carried out in March 2018, commented on in other sections of this report.

20. Other financial liabilities

As at 30 June 2018, this item amounted to EUR 7,6 million, substantially similar to 31 December 2017, and was composed as follows:

	30.06.2018	31.12.2017
Derivative financial instruments	112	90
Other financial liabilities	7.473	7.460
	7.585	**7.550**

The "derivative financial instruments" item mainly refers to Gruppo Zaffiro S.r.l..

The "other liabilities" item is entirely due to the contribution of Gruppo Zaffiro S.r.l. and refers to the estimate of the earn-out contractually provided for in favour of the seller of the same on the basis of the performance in 2018 of the income margins of the Group acquired. It should be noted that this potential consideration was included in the consideration for the business combination and therefore led to the recognition of incremental goodwill for an equal amount.

21. Provisions for personnel

As at 30 June 2018, the item amounted to EUR 5,1 million, an increase of EUR 0,3 million, and was composed as follows:

	30.06.2018	31.12.2017
Employee severance indemnity	5.107	4.772
Other allowances	29	15
	5.136	**4.787**

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

	30.06.2018	31.12.2017
Opening balances	**4.772**	**1.368**
Increases:		
- Allocation for the period	761	1.279
- Increase due to business combinations	38	3.224
- Other increases	-	60
Decreases:		
- Utilisations	(116)	(703)
- Other decreases	(349)	(456)
	5.107	**4.772**

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 in 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, and are based on the assumption of the parent and group companies as going concerns.

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 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.

22. Deferred tax liabilities

These amounted to EUR 7,9 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:

	30.06.2018	31.12.2017
Tax liabilities recognised in profit or loss	7.909	10.165
Tax liabilities recognised in equity	37	57
	7.946	**10.222**

	30.06.2018	31.12.2017
Deferred liabilities		
Receivables	2.085	1.940
Assets/liabilities held for sale	-	22
Investments	-	-
Property, plant and equipment/intangibles assets	5.340	7.909
Other assets/liabilities	521	351
Other	-	-
	7.946	**10.222**

This item primarily included EUR 2,1 million in deferred taxes calculated on the adjustment to the receivable due to Ghea S.r.l. from Bios S.p.A and EUR 5,7 million from the contribution of IMC S.p.A..

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

	30.06.2018	31.12.2017
Opening balance	**10.165**	**6.618**
Increases	**389**	**9.003**
Deferred taxes recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	389	9.003
Decreases	**(2.645)**	**(5.456)**
Deferred taxes cancelled in the period:	**(2.645)**	**(5.456)**
- reversals	(2.645)	(5.456)
Decreases in tax rates	-	-
Other decreases	-	-
	7.909	**10.165**

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

	30.06.2018	31.12.2017
Opening balance	**57**	**2.954**
Increases	**3**	**33**
Deferred taxes recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	3	33
Decreases	**(22)**	**(2.930)**
Deferred taxes cancelled in the period:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(22)	(2.930)
	38	**57**

23. Provisions for risks and charges

As at 30 June 2018 this item, amounted to EUR 2,3 million (equal to the value at 31 December 2017) and was composed as follows:

	30.06.2018	31.12.2017
Provision for risks:		
Legal disputes	1.417	1.414
Disputes with personnel	-	-
Contractual disputes	-	-
Other disputes	597	643
Other provisions:		
Expenses for personnel	-	-
Other	246	225
	2.260	**2.282**

The item saw the following changes:

	30.06.2018	31.12.2017
Opening balance	**2.282**	**1.430**
Increases:		
Allocation for the period	352	965
Other increases	101	128
Decreases:		
Utilisations	(429)	(241)
Other decreases	(46)	-
	2.260	**2.282**

The "Provision for risks and charges" item is composed mostly of allocations made by the Parent Company Mittel S.p.A. for EUR 1,2 million, Fashion District Group S.r.l. in liquidation for EUR 0,5 million, the Advisory sector for EUR 0,3 million, Ceramica Cielo S.p.A. for EUR 0,1 million and I.M.C. S.p.A. for EUR 0,1 million.

The provision of the Parent Company Mittel S.p.A., of EUR 1,2 million, 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 provision for Fashion District Group S.r.l. in liquidation, amounting to EUR 0,5 million, refers to a tax dispute concerning the classification of properties previously held in Molfetta.

The provision of € 0,2 million that is attributable to the advisory segment refers to the provision for risks set aside to cover disputes with Mittel Advisory Debt and Grant S.r.l. (EUR 0,2 million) and Mittel Advisory S.r.l. (EUR 0,1 million).

24. Sundry payables and other non-current liabilities

These amounted to EUR 0,1 million (EUR 0,1 million as at 31 December 2017) and mainly refer to the contribution of the real estate sector.

Current liabilities

25. Bonds

This item amounts to EUR 3,3 million and refers to the interest accrued in the period between the coupon registration date of the bond loan and 30 June 2018, the date of this consolidated half-yearly financial report.

26. Financial payables

These amounted to EUR 5,9 million, down by EUR 16,5 million.

The item is composed as follows:

	30.06.2018	31.12.2017
Bank loans	1.058	13.261
Current portion of medium/long-term bank loans	4.709	9.059
Other loans	96	86
Other current financial payables	9	8
	5.872	**22.414**

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 0,9 million refers to the Nursing Home sector.
The “Current portion of medium/long-term bank loans” item mainly includes EUR 1,6 million for the companies of the Zaffiro Group, EUR 1,3 million for I.M.C. S.p.A., EUR 1,5 million for Ceramica Cielo S.p.A. and EUR 0,3 million for Mittel Design S.r.l..

27. Current tax liabilities

As at 30 June 2018, this item totalled EUR 1,6 million and is composed of the following outstanding tax liabilities:

	30.06.2018	31.12.2017
IRES (corporate income tax)	417	661
IRAP (regional business tax)	1.172	965
Other	-	-
	1.589	**1.626**

	30.06.2018	31.12.2017
Opening balance	**1.626**	**13**
Increases	**270**	**1.626**
Current tax liabilities recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Other increases	270	1.626
Decreases	**(307)**	**(12)**
Current tax liabilities cancelled in the period:	**-**	**-**
- reimbursements	-	-
Other decreases	(307)	(12)
	1.589	**1.626**

The item mainly consists of the contribution of Ceramica Cielo S.p.A. (EUR 0,7 million), Ghea S.r.l. (EUR 0,6 million), companies in the Nursing Home sector (EUR 0,2 million) and I.M.C. S.p.A. (EUR 0,1 million).

28. Sundry payables and other liabilities

This item amounted to EUR 36,8 million, up by EUR 4,2 million compared to the previous year. The item is composed as follows:

	30.06.2018	31.12.2017
Trade payables	18.762	16.507
Tax payables	1.001	1.109
Payables relating to employees	3.641	2.794
Payables relating to other personnel	-	-
Payables due to directors and statutory auditors	440	1.237
Payables due to social security institutions	1.361	1.306
Disputes	-	-
Other payables	11.098	9.060
Accrued expenses and deferred income	546	575
	36.849	**32.588**

The “Trade payables" item mainly includes: EUR 7,6 million in payables recorded by I.M.C. S.p.A., EUR 5,8 million for the company payables of Ceramica Cielo S.p.A., EUR 2,1 million for the company payables of the Nursing Home sector, EUR 1,4 million for the payables of Balder S.r.l., EUR 1,2 million for the debts of the Parent Company Mittel, EUR 0,4 million for the payables of the property sector, EUR 0,1 million for the debts of Fashion District Group S.r.l. in liquidation and EUR 0,1 million for the debts of the advisory sector.

Tax payables mainly refers to Nursing Home sector companies (EUR 0,4 million), to Ceramica Cielo S.p.A. (EUR 0,3 million), to the Parent Company Mittel (EUR 0,2 million) and to I.M.C. S.p.A. (EUR 0,1 million).

Payables relating to employees are mainly attributable to: Nursing Home sector companies (EUR 1,4 million) and I.M.C. S.p.A. (EUR 0,8 million), Ceramica Cielo S.p.A. (EUR 0,8 million), Mittel (EUR 0,3 million); the advisory sector (EUR 0,2 million) and Balder S.r.l. (EUR 0,1 million).

The “Other payables” item mainly includes:

i. EUR 8,8 million in payables recorded by Mittel S.p.A., of which EUR 8,5 million relates to the amount recorded as a balancing entry for a collection received in relation to the Auchan/Bernardi dispute, a tax dispute involving Mittel as a merging company of Hopa, a party granting contractual guarantees together with Primavera S.p.A., in favour of La Rinascente S.p.A. (then Auchan S.p.A., now Società Italiana Distribuzione Moderna S.p.A.), following the sale of the Colmark group to the same. Subsequent developments in the tax dispute led firstly to a partial upholding of the appeal filed by the company (with a decision by the Provincial Tax Commission of Venice) and then to a partial reform by the Regional Tax Commission of Venice, who then confirmed, in their entirety, the claims made by the contested acts. Following the appeal filed by the company with the Supreme Court, the latter, with sentence no. 382 of 25/11/2015 filed on 13/01/2016, partially overturned, with reference to another section of the Veneto Regional Tax Commission, the sentence of the Venice Regional Tax Commission, which had fully confirmed the tax claim contained in the notices of assessment. In March 2018, the Veneto Regional Tax Commission upheld Auchan's appeal. Between May and June 2018 the Italian Revenue Agency authorised the reimbursement of the outstanding amounts collected by Mittel S.p.A. in two tranches, in addition to the amounts already received. In July 2018, the favourable sentence against Mittel S.p.A. became final. The total provisional amounts repaid to the company by the Italian Revenue Agency, equal to EUR 8,5 million, which, as at 30 June 2018, were deferred in the balance sheet in a liability item, will be recognised as a contingent asset in the income statement in the second half of 2018.

ii. for EUR 1,5 million in payables recorded by I.M.C. S.p.A., of which EUR 1,4 million for advances from customers;
iii. for EUR 0,5 million in contributions from companies in the Nursing Home sector;
iv. for EUR 0,3 million in payables recorded by property sector companies, including EUR 0,2 million in advances and earnest money received in connection with their sales activities.

Information on the Consolidated Income Statement

29. Revenue

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

	30.06.2018	30.06.2017
Revenue from property sales	5.622	4.579
Revenue from rent	123	122
Revenue from provision of services	11.312	9.462
Revenue from fund management commission	-	-
Revenue from commission from finance leases	-	-
Other revenue	41.003	4.705
	58.060	**18.868**

The "revenue from property sales" item refers to revenue from sales of property inventories. In particular, it consists of the contribution made by Cad Immobiliare S.r.l. (EUR 3,6 million), by Mittel Investimenti Immobiliari (EUR 1,3 million) for its initiative located in Arluno, by Lucianita S.r.l. (EUR 0,6 million) and by Iniziative Nord Milano S.r.l. (EUR 0,1 million).

The "Revenue from rent" item refers almost exclusively to Breme S.r.l..

Revenue from provision of services refer to services provided by companies in the Nursing Home sector (EUR 10,5 million) and the consulting services provided by Ethica & Mittel Debt Advisory S.r.l. (EUR 0,8 million).

Other revenue include EUR 23,5 million for the Automotive sector, EUR 13,4 million for Ceramica Cielo S.p.A., EUR 3,5 million for revenue earned by companies in the Nursing Home sector from contributions reimbursed by local healthcare providers, and EUR 0,5 million for consulting services provided by Mittel Advisory S.r.l. and Mittel Advisory Debt and Grant S.r.l..

30. Other income

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

	30.06.2018	30.06.2017
Recoveries of various expenses	-	-
Prior year income	636	175
Income from elimination of assets	7	-
Other revenue and income	796	176
	1.439	**351**

Contingent assets mainly include EUR 0,2 million for Ceramica Cielo S.p.A., EUR 0,2 million for the automotive sector and EUR 0,1 million for Mittel S.p.A..

The "income from elimination of assets" item is entirely due to the disposal of tangible assets by Mittel S.p.A. and I.M.C. S.p.A..

The "other revenue and income" item is mainly composed of the contribution of Ceramica Cielo S.p.A. (EUR 0,7 million) and Mittel S.p.A. (EUR 0,1 million).

31. Variations in inventories

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

	30.06.2018	30.06.2017
Increases in property inventories	140	1.605
Decreases in property inventories	(4.731)	(5.510)
Impairment losses in property inventories	-	-
Change in inventories of goods and products	(315)	-
Change in inventories of raw materials	1.329	-
Impairment losses in inventories	-	-
	(3.576)	**(3.906)**

As regards the changes in items relating to property inventories, see the information set forth in the tables and comments in the corresponding balance sheet item.

For the changes in goods, products and raw materials items, I.M.C. S.p.A. contributed EUR 0,7 million, Ceramica Cielo S.p.A. contributed EUR 0,1 million (negative) and Balder S.r.l. contributed EUR 0,4 million.

32. Costs for purchases

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

	30.06.2018	30.06.2017
Purchases of raw materials, consumables and goods and property increases	(17.984)	(930)
Provision of services and consultancy	(50)	(98)
Urbanisation expenses	(37)	-
Registration tax	-	-
Insurance	(5)	(1)
Maintenance	(123)	-
Other	(54)	-
	(18.253)	**(1.029)**

The “Costs for purchases” item recorded a strong increase attributable to the entry of new business sectors within the consolidation scope.
Purchases of raw materials, consumables and goods are mainly attributable to I.M.C. S.p.A. (EUR 11,6 million), Ceramica Cielo S.p.A. (EUR 4,1 million), Balder S.r.l. (EUR 1,1 million) and companies from the Nursing Home sector (EUR 1,0 million); the property increases, equal to EUR 0,2 million, mainly refer to Santarosa S.r.l..

33. Costs for services

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

	30.06.2018	30.06.2017
Legal consultancy	(183)	(678)
Notary consultancy	(90)	(133)
Other consultancy	(1.298)	(1.158)
Commission and advisory expenses	-	-
General services and maintenance	(2.963)	(1.540)
Administrative, organisational and audit services	(151)	(67)
Cost of temporary workers	(37)	(13)
Directors' fees	(1.178)	(1.232)
Board of Statutory Auditors' fees	(176)	(147)
Supervisory Body's fees	(59)	(56)
Fees for prosecutors and Manager in charge	(8)	(8)
Rentals	(3.247)	(2.369)
Leases	(73)	(46)
Insurance	(273)	(182)
Utilities	(1.634)	(526)
Advertising	(690)	(58)
Others	(1.256)	(108)
	(13.317)	**(8.323)**

Service costs increased compared with the same period last year, due to the inclusion of two new business sectors in the consolidation scope, contributing EUR 5,9 million to the item total. In more detail, contributions are made up as follows: the nursing home sector (EUR 5,0 million), Ceramica Cielo S.p.A. (EUR 3,6 million), I.M.C. S.p.A. (EUR 2,0 million), Mittel S.p.A. (EUR 1,4 million) (with costs down sharply from the EUR 2,2 million for the same period last year), the property sector (EUR 0,8 million), Balder S.r.l. (EUR 0,3 million) and the advisory sector (EUR 0,2 million).

34. Personnel costs

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

	30.06.2018	30.06.2017
Wages and salaries	(10.423)	(5.649)
Social security costs	(3.245)	(1.756)
Employee termination indemnity	-	-
Pension costs	-	-
Allocation to employee severance indemnity	(783)	(330)
Allocation to retirement fund and similar obligations	-	-
Payments to external supplementary pension funds	(16)	(12)
Other personnel costs	(688)	(481)
	(15.155)	**(8.228)**

In particular, personnel costs include EUR 6,4 million from the contribution of the Nursing Home sector, EUR 3,3 million from Ceramica Cielo S.p.A., EUR 2,9 million from IMC S.p.A., EUR 1,5 million from the Parent Company Mittel, EUR 0,5 million from the advisory sector, EUR 0,4 million from Balder S.r.l. and EUR 0,1 million from Mittel Investimenti Immobiliari S.r.l..

Average number of Group employees broken down by category:

	Exact number at 30 June 2018	Half-year average 2018	Average in the year 2016/2017
Managers	11	10	6
Officials	23	24	18
Employees	117	114	67
Blue-collar staff	620	590	430
Total	**771**	**737**	**522**

35. Other costs

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

	30.06.2018	30.06.2017
Taxes and duties	(785)	(698)
Capital losses from transfer of receivables	-	-
Impairment losses on receivables	-	-
Losses on receivables	(88)	-
Capital losses from transfer of property, plant and equipment	(1)	-
Prior year expenses	(94)	(169)
Other sundry operating expenses	(345)	(388)
	(1.313)	**(1.255)**

The “taxes and duties” item is mainly composed of indirect taxes (mainly non-deductible VAT) of Mittel S.p.A. for EUR 0,4 million, of the property sector for EUR 0,2 million and of the nursing home sector for EUR 0,1 million.

The “Other sundry operating expenses” item mainly includes the Parent Company (EUR 0,2 million) and Ceramica Cielo S.p.A. (EUR 0,1 million).

36. Amortisation and value adjustments to intangible assets

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

	30.06.2018	30.06.2017
Intangible assets		
Amortisation	(46)	(27)
Impairment losses	-	-
Reversals of impairment losses	-	-
Property, plant and equipment		
Depreciation of investment property	-	-
Depreciation of other assets owned	(2.721)	(423)
Depreciation - finance leases	-	-
Impairment losses	-	-
Reversals of impairment losses	-	-
	(2.768)	**(451)**

The item is strongly influenced by the entry into the Group of new business sectors involved in the business combinations. In more detail, this item is mainly contributed by IMC S.p.A. (EUR 1,8 million), Nursing Home sector companies (EUR 0,3 million), Ceramica Cielo S.p.A. (EUR 0,4 million), Balder S.r.l. (EUR 0,1 million) and Mittel S.p.A. (EUR 0,1 million).

37. Allocations to the provision for risks

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

	30.06.2018	30.06.2017
Provisions for ongoing disputes:		
for legal disputes	23	(32)
for expenses for personnel	-	-
Provision for contractual disputes	-	-
Provision for restructuring expenses	-	-
Other provisions	(257)	(60)
	(234)	**(92)**

The “provisions for legal disputes” item is the net result of the contribution to the consolidated total of Lucianita S.r.l. (release of a fund for around EUR 0,1 million) and Mittel Advisory (provision for around EUR 0,1 million).
The “other provisions” item mainly refers to Mittel S.p.A..

38. 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;
- impairment losses/(reversals of impairment losses) 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:

	30.06.2018	30.06.2017
Pro-rata profits		
Superpartes S.p.A.	-	8
Tower 6 Bis Sarl	-	13.416
Bios S.p.A.	-	1.757
	-	**15.181**
Pro-rata losses		
Superpartes S.p.A.	(18)	(22)
Bios S.p.A.	(567)	-
	(585)	**(22)**
	(585)	**15.159**

39. Financial income

The item is composed as follows:

	30.06.2018	30.06.2017
Bank interest income	355	241
Interest income on financial receivables	1.641	1.943
Other interest income	56	124
Other financial income	21	32
Exchange rate gains	10	-
	2.082	**2.339**

The "bank interest income" item mainly refers to the contribution of Mittel S.p.A..

Interest income on financial receivables relates mainly to the contribution relating to Ghea S.r.l.'s loan to Bios S.p.A. (EUR 0,5 million), the contribution of parent company Mittel S.p.A for existing loans (Mittel Generale Investimenti S.r.l. vendor loan for EUR 0,5 million and Montini S.p.A. vendor loan for EUR 0,5 million). More specifically, while Mittel Generale Investimenti S.r.l. continues the process of recovering the financial receivables it disbursed in previous years, it should be noted that Montini S.p.A. continued its positive trend in the first half of the year (Value of production equal to approximately EUR 25 million, EBITDA of approximately EUR 2,8 million and bank NFP of approximately EUR 11,0 million), with the recovery process started in the second half of 2017.

40. Financial expenses

The item is composed as follows:

	30.06.2018	30.06.2017
Interest expense on bonds	(3.872)	(3.276)
Bank interest expense	(740)	(485)
Interest expense on other loans	(180)	(34)
Other interest expenses	(167)	(19)
Other financial expenses	(215)	1
Exchange rate losses	(10)	-
	(5.185)	**(3.812)**

The "interest expense on bonds" item includes recording the interest expense on bonds issued by Mittel S.p.A. for the portion of the year in question.
The remaining part of this item is mainly explained by the contribution of IMC (EUR 0,5 million) and the Nursing Home sector (EUR 0,5 million).

41. Dividends

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

	30.06.2018	30.06.2017
Dividends from financial assets held for trading	-	-
Dividends from financial assets	183	152
Dividends from financial assets at fair value	-	-
Dividends from investments	32	-
Other	-	-
	215	**152**

This item is entirely attributable to Mittel S.p.A.. In particular, dividends from financial assets refer to the distribution carried out in the period by Sia S.p.A..

42. Profit (loss) from management of financial assets and investments

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

	30.06.2018	30.06.2017
Financial assets		
Capital gains	-	4.706
Other income	-	231
Capital losses	-	-
Other	-	-
Capital gains (losses) from transfer of investments	**-**	**-**
	-	**4.937**

In the previous year the item was mainly explained by the profit recorded on the sale of the portfolio of listed securities previously held by Mittel S.p.A..

43. Value adjustments to financial assets, loans and receivables

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

	30.06.2018	30.06.2017
Write-downs (reversals of impairment losses) on financial receivables	501	(78)
Impairment losses on other receivables	(22)	(24)
Write-downs/Revaluations of financial assets	1.224	(2.173)
	1.703	**(2.275)**

The "Revaluation of financial receivables" item is entirely attributable to Locaeffe S.r.l. in liquidation, in relation to a receivable subject to impairment in previous years, for which the amount gross of the write-down was collected in July 2018.
Revaluations of financial assets include EUR 0,5 million for the reversals of impairment losses recorded by the parent company Mittel in relation to Equinox Two (EUR 0,4 million) and Fondo Augusto (EUR 0,1 million) and EUR 0,7 million for the reversals of impairment losses recorded by Earchimede S.p.A. with reference to Equinox Two. The increase in the value of Equinox Two is due to the positive effects of its transfers (investments in Esaote and Bioenergie). The remaining portfolio of the investment vehicle currently consists of the investment in Bios S.p.A., held in partnership with Mittel, as well as the investment in Adler Modemärkte AG, a German listed company.

44. Profit (loss) from trading of financial assets

As at 30 June 2018, this item had a zero carrying value.

	30.06.2018	30.06.2017
Gains/losses on disposal of securities (current)	-	272
Capital gains/ losses on securities valuation (current)	-	(90)
	-	**182**

45. Income taxes

The amount is composed as follows:

	30.06.2018	30.06.2017
IRES (corporate income tax)	(276)	65
IRAP (regional business tax)	(586)	(145)
Taxes of previous years	98	(61)
Total current taxes	**(764)**	**(141)**
Deferred tax liabilities	2.239	(149)
Deferred tax assets	67	5
Total deferred taxes	**2.306**	**(144)**
Other taxes	-	-
Total income taxes	**1.542**	**(285)**

46. Profit (loss) pertaining to non-controlling interests

The item is composed as follows:

	30.06.2018	30.06.2017
Profit (loss) for the period pertaining to non-controlling interests	1.201	(213)
	1.201	**(213)**

47. Basic and diluted earnings (loss) per share

As set forth in IAS 33, the Mittel Group shows basic earnings per share calculated as net income for the period attributable to the Parent Company divided by the weighted average number of shares outstanding in the period, and the diluted earnings per share 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 30 June 2018, compared with the corresponding period of the previous year, are as follows:

Earnings/(loss) per share attributable to the Parent Company (in Euro)	30.06.2018	30.06.2017
From the income statement:		
- Basic	0,045	0,166
- Diluted	0,045	0,166
From comprehensive income:		
- Basic	0,005	0,251
- Diluted	0,005	0,251

Basic earnings or loss per share

During the year ended 30 June 2018, the number of shares outstanding changed as a result of the distribution of treasury shares:

Number of shares	30.06.2018	30.06.2017
(No. of 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	1.665.653	-
Average weighted number of shares outstanding at the end of the period	**77.215.268**	**75.549.615**

The consolidated basic earnings or loss per share attributable to the Parent Company as at 30 June 2018, compared with the half-year of previous year, are as follows:

Euro/thousand		
Net profit/(loss) attributable to the Parent Company	**3.454**	**12.547**

Euro		
Basic earnings/(loss) per share attributable to the Parent Company	**0,045**	**0,166**

The comprehensive basic earnings or loss per share attributable to the Parent Company as at 30 June 2018, compared with the first half of the previous year, are as follows:

Euro/thousand		
Total net profit/(loss) comprehensive attributable to the Parent Company	**389**	**18.991**

Euro		
Total basic earnings/(loss) comprehensive per share attributable to the Parent Company	**0,005**	**0,251**

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 30 June 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 Chief Executive Officer of Mittel S.p.A. and other Group employees.
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 at 30 June 2018, for the purposes of the calculation of diluted earnings or loss per share from the consolidated income statement and the consolidated statement of comprehensive income, compared with the corresponding period of the previous year, is as follows.

Diluted earnings or loss per share	**30.06.2018**	**30.06.2017**
(No. of ordinary shares)		
Average weighted number of shares outstanding at the end of the period	77.215.268	75.549.615
plus shares required for:		
- SARs plan	262.845	262.845
Potential dilution of ordinary shares	262.845	262.845
Average weighted number of shares at the end of the period	**77.478.113**	**75.812.460**
Euro/thousand		
Net profit/(loss) attributable to the Parent Company	3.454	12.547
Effect of subscriptions of potential new shares	-	-
Net profit (loss) available to ordinary shareholders plus expected subscriptions	**3.454**	**12.547**
Euro		
Diluted earnings or loss per share	**0,045**	**0,166**

Thousands of Euro		
Total net profit/(loss) comprehensive attributable to the Parent Company	389	18.991
Effect of subscriptions of potential new shares	-	-
Net overall available profit/(loss) for ordinary shareholders plus expected subscriptions	**389**	**18.991**
Euro		
Total diluted earnings/(loss) comprehensive per share attributable to the Parent Company	**0,005**	**0,251**

As there are no 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 30 June 2018 which would have significantly changed the number of ordinary or potential ordinary shares outstanding at period end.

48. 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 position of the Mittel Group as at 30 June 2018 was a negative EUR 90,8 million (negative EUR 101,1 million as at 31 December 2017), as shown in the table below:

(Thousands of Euro)	30.06.2018	31.12.2017	Variation
Cash	83	74	9
Other cash equivalents	150.223	155.397	(5.174)
Securities held for trading	-	-	-
Current liquidity	**150.306**	**155.471**	**(5.165)**
Current financial receivables	**1.863**	**396**	**1.467**
Current bank loans and borrowings	(1.058)	(13.261)	12.202
Current portion of medium/long-term bank loans	(4.709)	(9.059)	4.350
Bonds	(3.255)	(3.072)	(183)
Other current financial payables	(105)	(94)	(11)
Current financial debt	**(9.127)**	**(25.486)**	**16.359**
Net current financial debt	**143.042**	**130.381**	**12.661**
Non-current bank loans and borrowings	(45.183)	(40.769)	(4.414)
- Bank loans and borrowings expiring in the medium-term	(45.183)	(40.769)	(4.414)
- Bank loans and borrowings expiring in the long-term	-	-	-
Bonds issued	(172.316)	(173.023)	707
Other current financial payables	(16.324)	(17.723)	1.399
Non-current financial debt	**(233.823)**	**(231.515)**	**(2.308)**
Net financial position	**(90.781)**	**(101.134)**	**10.354**

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 50 of these consolidated financial statements.

49. Commitments and guarantees

As at 30 June 2018, the guarantees given can be summarised in the following table:

	30.06.2018	31.12.2017
Guarantees:		
financial	-	-
commercial	10.866	10.648
assets pledged as collateral	2.860	-
Commitments:		
disbursement of funds	3.620	4.347
other irrevocable commitments	1.187	2.264
	18.553	**17.259**

Commercial guarantees refer (i) to EUR 4,3 million for the contribution of the Real estate sector, composed of sureties for primary urbanisation works requested by the Municipality of Milan, for EUR 1,3 million, and by the Municipality of Como, for EUR 3,0 million; (ii) to EUR 6,0 million for Mittel S.p.A., referring mainly to sureties in favour of the Italian Revenue Agency for VAT for which a refund/offset was requested, of which EUR 1,4 million on its own account and EUR 4,6 million on behalf of Group companies, (iii) to EUR 0,6 million for guarantees given by companies in the Nursing Home sector; (iv) to EUR 27 thousand for Fashion District Group S.r.l. in liquidation, for guarantees issued in favour of the Italian Revenue Agency to guarantee VAT receivables on which reimbursement was requested.

Assets pledged as guarantee refer exclusively to Gruppo Zaffiro S.r.l. and concern loans to subsidiaries pledged to the lending banks.

Commitments to disburse funds refer to the commitments for payments to be made into private equity funds and foreign investment vehicles, and are attributable to Earchimede S.p.A. for EUR 3,1 million and Mittel S.p.A. for EUR 0,5 million.

The “other irrevocable commitments” item refers to the guarantee given in the years 2003, 2004 and 2005 in favour of the acquirers of lease contracts transferred by the subsidiary Locaeffe S.r.l. (in liquidation).

50. 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 half-year to 30 June 2018, transactions were entered into with said counterparties as part of ordinary Group activities 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		43.064		**43.064**
Current assets				
Sundry receivables and other assets		16		**16**
Current liabilities				
Sundry payables and other liabilities	289	6		**295**
Income statement				
Revenue		39		**39**
Other income		15		**15**
Costs for services	(585)			**(585)**
Personnel costs	(291)	(11)		**(302)**
Financial income		973		**973**

- Non-current financial receivables refer to loans granted by Mittel S.p.A. to Mittel Generale Investimenti S.r.l. (vendor loan) for EUR 22 million and from Ghea S.r.l. to Bios S.p.A. for EUR 21,1 million.

- The “sundry receivables and other assets” item refers to the amount due to Mittel S.p.A. by Bios S.p.A. and Mittel Generale Investimenti S.r.l. for chargebacks of rents and sundry services.

- The “sundry payables and other current liabilities” item refers to the amount due to directors (EUR 0,2 million) and statutory auditors (EUR 0,1 million) for fees accrued but still to be paid and, for the part due to associates, amounts due to Mittel Generale Investimenti S.r.l..

- The items Revenue and Other income refer to the chargeback of administrative services and direct debit services provided to associates.

- The “costs for services due to directors, statutory auditors and internal committees” item refers to EUR 0,5 million in directors’ fees and EUR 0,1 million in fees to the Board of Statutory Auditors.

- The “personnel costs” item refers to the remuneration of the company’s key managers.

- The “financial income” item refers to interest income of EUR 0,5 million accrued by Mittel S.p.A. from Mittel Generale Investimenti S.r.l. and interest of EUR 0,5 million accrued on loans granted by Ghea S.r.l. to Bios S.p.A..

51. 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.

51.1 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 30 June 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.

(thousands of EUR)	30 June 2018 Level 1	30 June 2018 Level 2	30 June 2018 Level 3	31 December 2017 Level 1	31 December 2017 Level 2	31 December 2017 Level 3
Financial assets measured at fair value:						
Investments and funds measured at fair value with a contra-entry in Other comprehensive profit/(loss)	-	-	-	-	16.488	8.791
Investments and funds measured at fair value with a contra-entry in the Income Statement	-	16.566	7.875	-	-	-
Financial receivables measured at fair value with a contra-entry in the Income Statement	-	-	21.084	-	-	-
Financial assets at fair value held for trading:						
Trading derivatives	-	-	-	-	-	-
Current securities held for trading	-	-	-	-	-	-
Total assets	**-**	**16.566**	**28.959**	**-**	**16.488**	**8.791**
Other financial liabilities:						
Hedging derivatives	-	-	112	-	-	90
Trading derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**112**	**-**	**-**	**90**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 30 June 2018 are shown, 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.

(Amounts in thousands of Euro)

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	Financial statement total as at 30 June 2018	Fair value as at 30 June 2018		
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)	Level 1	Level 2	Level 3
ASSETS											
Other non-current financial assets (a)	24.441	-	**24.441**	-	16.566	7.875	**-**	**24.441**	-	16.566	7.875
Non-current financial receivables (b) (c)	21.084	-	**21.084**	-	-	21.084	**53.680**	**74.764**	-	-	74.764
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**146**	**146**	-	-	146
Other assets (*)	-	-	**-**	-	-	-	**302**	**302**	-	-	302
Current financial receivables (b)	-	-	**-**	-	-	-	**1.863**	**1.863**	-	-	1.863
Trade receivables (*) (b)	-	-	**-**	-	-	-	**20.879**	**20.879**	-	-	20.879
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**1.090**	**1.090**	-	-	1.090
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**150.306**	**150.306**	-	-	150.306
	45.525	**-**	**45.525**	**-**	**16.566**	**28.959**	**228.266**	**273.791**	**-**	**16.566**	**257.225**
LIABILITIES											
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**175.571**	**175.571**	175.749	-	-
Financial payables (current and non-current) (*) (b) (e)	-	-	**-**	-	-	-	**59.794**	**59.794**	-	-	59.794
Other financial liabilities (d)	7.473	112	**7.585**	-	112	7.473	**-**	**7.585**	-	112	7.473
Trade payables (*) (b)	-	-	**-**	-	-	-	**18.709**	**18.709**	-	-	18.709
Sundry payables (*) (b)	-	-	**-**	-	-	-	**11.832**	**11.832**	-	-	11.832
	7.473	**112**	**7.585**	**-**	**112**	**7.473**	**265.907**	**273.491**	**175.749**	**112**	**97.808**

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 with balancing entry in the income statement
(b) Financial receivables and financial liabilities at amortised cost
(c) Financial receivables measured at fair value with balancing entry in the income statement
(d) Financial assets and liabilities at fair value on a recurring basis
(e) Payables for loans from non-controlling shareholders with undetermined maturity, for which fair value cannot be measured

The data relating to the previous year are shown below:

(Amounts in thousands of Euro)

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)	Level 1	Level 2	Level 3
ASSETS												
Available-for-sale investments (c)		1.503	**1.503**						**1.503**			n.a.
Available-for-sale investments (a) (d)		23.776	**23.776**		16.488	7.288			**23.776**		16.488	7.288
Non-current financial receivables (b)			-				**81.776**		**81.776**			81.776
Other receivables and financial assets (*) (b)			-				**146**		**146**			146
Other assets (*)			-				**342**		**342**			342
Current financial receivables (b)			-				**396**		**396**			396
Held for trading debt securities (d)			-						-			
Trading derivatives (d)			-						-			
Trade receivables (*) (b)			-				**17.765**		**17.765**			17.765
Current sundry receivables (*) (b)			-				**1.942**		**1.942**			1.942
Cash and cash equivalents (*)			-				**155.471**		**155.471**			155.471
	-	**25.279**	**25.279**	-	**16.488**	**7.288**	**257.838**	-	**283.117**	-	16.488	265.126
LIABILITIES												
Bonds (current and non-current) (b)							**(176.096)**		**(176.096)**	(176.096)		
Financial payables (current and non-current) (*) (b)							**(73.356)**		**(73.356)**			(73.356)
Financial payables (b) (e)							**(141)**		**(141)**			n.a.
Other financial liabilities (d)	(7.460)	(90)	**(7.550)**		(90)	(7.460)	-		**(7.550)**		(90)	7.460
Trade payables (*) (b)							**(16.564)**		**(16.564)**			(16.564)
Sundry payables (*) (b)							**(9.578)**		**(9.578)**			(9.578)
	(7.460)	**(90)**	**(7.550)**	-	**(90)**	**(7.460)**	**(275.734)**	-	**(283.284)**	(176.096)	**(90)**	(106.958)

Notes
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Available-for-sale financial assets at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities at 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 with balancing entry in the income statement

The valuation techniques used to measure the fair value of the non-controlling interests recognised in the AFS portfolio measured at fair value with balancing entry in the income statement 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 30 June 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 half-year, including profits/(losses) booked to the income statement, are shown below:

(thousands of EUR)	Financial assets	Financial liabilities
As at 31 December 2017	**8.791**	**-**
(Profit) losses recognised in profit or loss	1.146	-
(Profit) losses recognised in other comprehensive income		-
Issues/extinctions	(2.062)	-
As at 30 June 2018	**7.875**	**-**

Level 3 financial assets measured at fair value mainly include EUR 5,5 million (EUR 6,3 million at 31 December 2017) for Equinox Two, EUR 1,4 million (EUR 1,4 million at 31 December 2017) for SIA S.p.A. and EUR 0,9 million (EUR 1,0 million at 31 December 2017) for Medinvest International S.A..

51.2 Classifications of financial instruments

Categories of financial assets and liabilities

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 30 June 2018	Loans and receivables	Financial assets measured at fair value with balancing entry in the income statement	Financial assets at fair value, as a balancing entry to the valuation reserve	Book value
Non-current financial assets:				
Investments	-	24.441		**24.441**
Bonds	-	-		**-**
Other financial assets	-	-		**-**
Non-current receivables:				
Financial receivables	74.764	21.084		**95.847**
Sundry receivables	594	-		**594**
Receivables due from related parties	-	-		**-**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	21.976	-		**21.976**
Current financial assets:				
Financial receivables	1.863	-		**1.863**
Sundry receivables	-	-		**-**
Other financial assets	-	-		**-**
Hedging derivatives	-	-		**-**
Non-hedging derivatives	-	-		**-**
Cash and cash equivalents				
Bank and postal deposits	150.223	-		**150.223**
TOTAL FINANCIAL ASSETS	**249.420**	**45.525**		**294.945**

	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	-	-	-	25.279	**25.279**
Bonds	-	-	-	-	**-**
Other financial assets	-	-	-	-	**-**
Non-current receivables:					
Financial receivables	-	-	81.776	-	**81.776**
Sundry receivables	-	-	635	-	**635**
Receivables due from customers and other current commercial assets:					
Sundry receivables and other assets	-	-	19.716	-	**19.716**
Current financial assets:					
Financial receivables	-	-	66	-	**66**
Sundry receivables	-	-	330	-	**330**
Other financial assets	-	-	-	-	**-**
Hedging derivatives	-	-	-	-	**-**
Non-hedging derivatives		-	-	-	**-**
Cash and cash equivalents					
Bank and postal deposits	-	-	155.471	-	**155.471**
TOTAL FINANCIAL ASSETS	**-**	**-**	**257.994**	**25.279**	**283.273**

Note that the table also includes the items sundry receivables and other assets and sundry payables and other liabilities.

Financial liabilities as at 30 June 2018	IFRS 9 CATEGORIES Financial instruments at fair value	Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	45.183	**45.183**
Other financial liabilities	-	8.739	**8.739**
Sundry payables and other liabilities	-	141	**141**
Bonds	-	172.316	**172.316**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	5.872	**5.872**
Trade payables	-	18.762	**18.762**
Sundry payables	-	11.098	**11.098**
Bonds	-	3.255	**3.255**
Other financial liabilities:			
Hedging derivatives	112	-	**112**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**112**	**265.367**	**265.479**

Financial liabilities as at 31 December 2017	IAS 39 CATEGORIES Financial instruments at fair value	Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	40.769	**40.769**
Other financial liabilities	-	10.172	**10.172**
Sundry payables and other liabilities	-	141	**141**
Bonds	-	173.023	**173.023**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	22.414	**22.414**
Trade payables	-	16.507	**16.507**
Sundry payables	-	9.060	**9.060**
Bonds	-	3.072	**3.072**
Other financial liabilities:			
Hedging derivatives	90	-	**90**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**90**	**275.159**	**275.250**

51.3 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 Group 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 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 home, 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 of the individual investees, 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 financial receivables for the six months ended at 30 June 2018 and at 31 December 2017.

Reporting date	Gross exposure	Value adjustments	Net exposure
30 June 2018	**260.584**	**(33.733)**	**226.851**
31 December 2017	**267.292**	**(29.723)**	**237.569**

Details of trade receivables as at 30 June 2018 are shown below, 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 “After 360 days”):

	30.06.2018		
	Nominal value	Impairment losses	Net value
Falling due	8.198	(32)	8.166
0-180 days	12.073	(140)	11.933
180-360 days	5	-	5
After 360 days	3.839	(3.440)	399
	24.115	**(3.612)**	**20.503**

The figures relating to the financial statements as at 31 December 2017 are provided below.

	31.12.2017		
	Nominal value	Impairment losses	Net value
Falling due	1.169	(18)	1.152
0-180 days	16.476	(159)	16.317
180-360 days	-	-	-
After 360 days	3.470	(3.435)	35
	21.116	**(3.612)**	**17.504**

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 150.306 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 30 June 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 30 June 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:

	30.06.2018	**31.12.2017**
Financial guarantees issued	2.860	-
Commercial guarantees issued	10.866	10.648
Irrevocable commitments to disburse funds	3.620	4.347
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	1.187	2.264
	18.533	**17.259**

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	-	-	45.600	-	-	29.164	74.764
Current financial receivables	1.823	40	-	-	-	-	1.863
Financial assets at fair value	-	-	-	-	-	-	-
	1.823	40	45.600	-	-	29.164	76.627
Liabilities							
Non-current bank **loans**	-	-	40.998	6.175	6.171	-	53.344
Current bank loans	5.250	622	-	-	-	-	5.872
Other current financial payables	-	-	-	-	-	578	578
Bonds	3.255	-	43.086	-	129.230	-	175.571
	8.505	622	84.084	6.175	135.401	578	235.365
Financial derivatives							
Hedging **derivatives**	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	(6.682)	**(582)**	**(38.484)**	**(6.175)**	**(135.401)**	**28.586**	**(158.738)**

The data relating to the previous year are shown below:

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 current financial payables	-	-	-	-	-	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 half-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 different pairs of non-Euro currencies on the performances of the company 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.
At the current state of play, 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 30 June 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 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, 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 30 June 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	30 June 2018		
	Fixed rate	Variable rate	Total
Bank loans	-	59.715	**59.715**
Bonds	175.571	-	**175.571**
Other current financial payables	78	-	**78**
Total	**175.649**	**59.715**	**235.364**

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 current financial payables	2.200	-	**2.200**
Total	**178.295**	**71.156**	**249.451**

Amounts in thousands of Euro	30 June 2018		
	Fixed rate	Variable rate	Total
Financial receivables	29.230	47.398	**76.628**
Other financial assets	-	-	**-**
Total	**29.230**	**47.398**	**76.628**

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

	30 June 2018		**31 December 2017**	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	150.306	0,47%	155.471	0,44%
Other financial receivables	76.628	4,27%	82.172	5,12%
Total	**226.934**	**1,77%**	**237.643**	**2,65%**

Amounts in thousands of Euro

	30 June 2018		**31 December 2017**	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	59.715	2,26%	71.156	1,95%
Bonds	175.571	4,54%	176.095	4,53%
Other financial liabilities - related parties	78	0,00%	2.200	0,00%
Total	**235.364**	**2,68%**	**249.451**	**3,59%**

Currency risk – Sensitivity analysis

As at 30 June 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 bonds operation carried out during the year, the medium term financial debt component, as extensively highlighted in other sections of this report. 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 within 31.12 of the year:				
	2018	2019	2020	After 2020	Total
Bank loans	5.250	622	40.998	12.346	59.216
Other loans	-	-	-	578	578
Bonds	7.237	50.082	4.632	135.363	197.314
Derivative financial instruments	-	-	-	-	-
Total	**12.487**	**50.704**	**45.630**	**148.287**	**257.108**

For further information on the Mittel Group's covenants, reference should be made to the risk section 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, a portion of the profits achieved has been carried forward 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.

Milan, 14 September 2018

for the Board of Directors

The Chairman

(Rosario Bifulco)

Annexes and supplementary statements

Statement on the condensed half-yearly consolidated financial statements as at 30 June 2018 pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

The undersigned Michele Iori, the Director in charge of the risk management and internal control system, and Caterina Della Mora, 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 condensed half-yearly consolidated financial statements as at 30 June 2018.

It is also certified that the condensed half-yearly consolidated financial statements for the period ended 30 June 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 interim report on operations includes a reliable analysis of the references to significant events which occurred in the first six months of the year and to their incidence on the condensed half-yearly consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 14 September 2018

Director in charge of the risk management and internal control system	Manager in charge of financial reporting
Michele Iori	Caterina Della Mora

Independent Auditors' Report

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
Mittel S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Mittel Group, comprising the statement of financial position as at 30 June 2018, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Mittel Group as at and for the six months ended 30 June 2018 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 17 September 2018

KPMG S.p.A.

(signed on the original)

Bruno Verona
Director of Audit