Annual Report
Sustainability Report

2017

ITALMOBILIARE
INVESTMENT HOLDING

Annual Report
Sustainability Report

2017 Annual Report

March 6, 2018

ITALMOBILIARE
Società per Azioni
Head Office: Via Borgonuovo, 20
20121 Milan - Italy
Share Capital € 100.166.937
Milan Companies Register

Translation from the Italian original version which remains the definitive one.

Contents

SUSTAINABILITY REPORT 2017 - CONSOLIDATED NON-FINANCIAL STATEMENT IN ACCORDANCE WITH THE LEGISLATIVE DECREE NO. 254/2016

Letter to the stakeholders

Laura Zanetti
Chairperson

2017 was a year of new initiatives that confirm Italmobiliare's mission of creating value by leveraging its financial solidity and its determination to pursue new investments with a long-term outlook. The enlargement of our equity investment portfolio and the results we have achieved reflect the progress made by the Group in projects to invest its liquidity, a path that has won Italmobiliare increasing recognition as a strategic partner for companies with significant growth potential that are interested in opening up their shareholder base.

During the year we completed two important operations: entry into the Tecnica Group, the world leader in outdoor footwear and ski equipment, and the enhancement of our stake in BravoSolution through an investment in Jaggaer, the global leader in eProcurement. These operations were flanked by a buy-back plan for approximately 100 million euro, which besides providing shareholders with an opportunity for attractive new returns and enhancing our share value, equipped the company with an additional tool to augment the flexibility of our uses of funds. Moreover, in order to make our share price more dynamic, we also carried out a 2:1 stock split in 2017.

These initiatives, together with our other industrial investments (Sirap Group and Italgen) and our presence in the private equity sector largely through Clessidra – a synergetic opportunity complementing the growth activities developed directly by Italmobiliare – enabled us to report a Net Asset Value, net of treasury shares, of 1.54 billion euro, equivalent to a per-share NAV of 36.8 euro, up by 5.6% from the end of 2016.
Of our total assets, half are investments in listed companies and in the portfolio companies, around 10% are private equity and other investments, and about 4% are real estate assets. The residual 35% of our NAV at the end of 2017 (approximately 550 million euro) consisted of financial and trading assets and cash, providing the immediate liquidity for the investment and development plans the company examines on an on-going basis.

This continuous evolution has already led in these early months of 2018 to the recent investment in Caffè Borbone, another well-known and successful brand from 'Made in Italy', that repository of Italian entrepreneurship admired around the world, which Italmobiliare wishes to support by acting as a long-term strategic partner guaranteeing additional growth on the international markets.
Through these initiatives we believe that we have laid the bases for establishing Italmobiliare as an increasingly solid, diversified Group with a modern interpretation of all the values, capabilities and knowhow that constitute our entrepreneurial heritage and represent the foundation for our future.

A future not only concerned with the Group's business performance, but also embracing the prospects and interests of all the stakeholders of the company and its investees.

Beginning this year, our Annual Report includes the Sustainability Disclosure ('consolidated non-financial declaration') detailing our policies and results with regard to protection of the environment, personnel, the community and anti-corruption, in accordance with the principles of the company's code of ethics. This Report is a further step forward in the process through which we interact with the extended community of all our stakeholders and offers a comprehensive view of the creation of sustainable value in our Group.

Carlo Pesenti
Chief Executive Officer and
Chief Operating Officer

Laura Zanetti

Carlo Pesenti

Our investments, our achievements

PORTFOLIO COMPANIES

TECNICA GROUP

italgen
passion for energy

SIRAP

Gazzetta del Sud

CLESSIDRA
società di gestione del risparmio

L'ECO DI BERGAMO

INVESTMENTS

HEIDELBERGCEMENT

VONTOBEL

JAGGAER

MEDIOBANCA

BANCA LEONARDO

PRIVATE EQUITY

CLESSIDRA
Capital Partners 3

BDT CAPITAL
PARTNERS

Aksìa group

AMBIENTA
Environmental Assets

Group key financial and business data

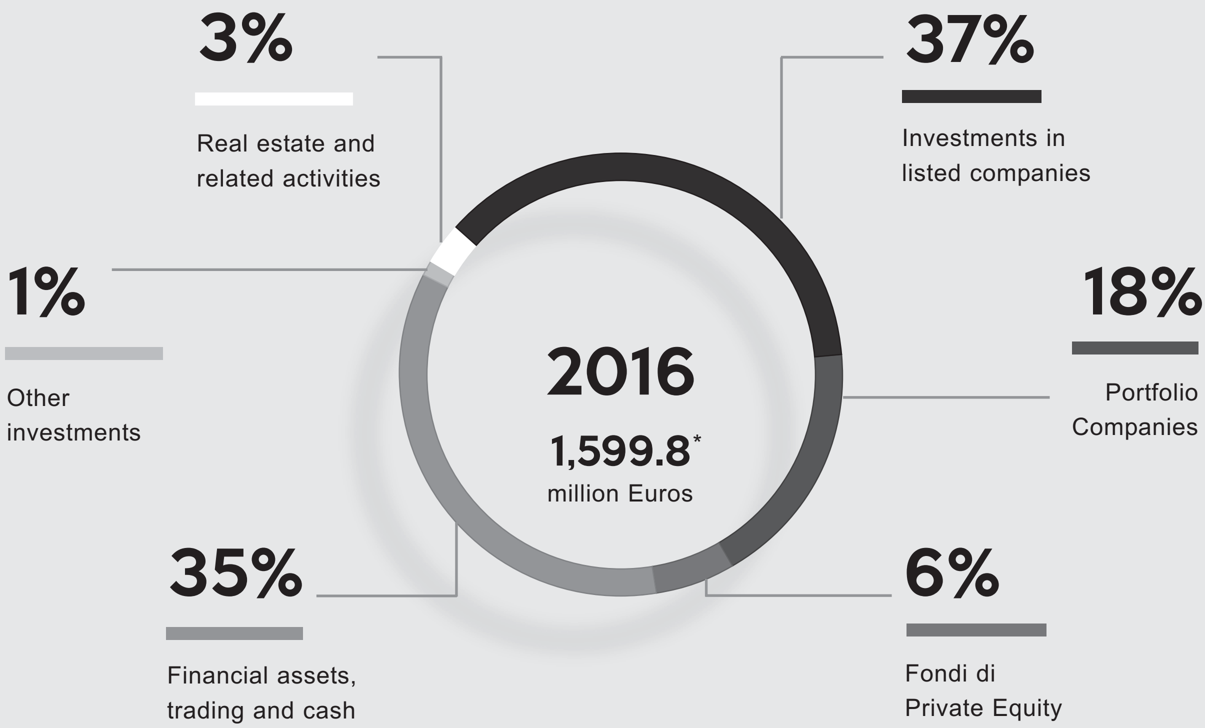
(in millions of euro)	2017	2016	2015 IFRS 5	2014 IFRS 5
Revenue	507.6	451.0	402.0	415.3
Gross operating profit (loss)	146.6	57.8	(2.0)	64.2
Operating profit (loss)	127.6	37.4	(19.0)	43.4
Profit (loss) for the year	115.2	68.2	54.8	(50.1)
Profit (loss) attributable to owners of the parent	115.0	57.0	7.0	(44.8)
Capital expenditure	141.8	356.0	32.3	28.9
Total equity	1,373.7	1,334.2	4,329.5	4,286.4
Equity attributable to owners of the parent	1,373.3	1,325.0	1,838.6	1,806.3
Net financial position (debt)	494.8	493.5	(2,081.7)	(2,114.8)
Net financial position / Equity	36.02%	36.99%	-48.08%	-49.34%
(unit values)				
(Diluted) earnings (losses) per ordinary share	2.632	2.601**	0.151**	(1.191)**
Equity attributable per share [1]	32.742	57.750**	48.864**	48.006**
Dividend paid per share:				
ordinary		1.000**	0.400**	0.250**
savings		***	0.478	0.390
Employees (headcount)	1,417	2,067	1,917*	1,905*

* relating to continuing operations
** before share splitting 2:1 (May 2017)
*** converted into ordinary shares (September 2016)
[1] net of treasury shares in portfolio

Through and active portfolio management and the simplification of the capital structure over the last years, Italmobiliare has materially reduced its discount to NAV.

Net Asset Value

not including treasury shares in portfolio

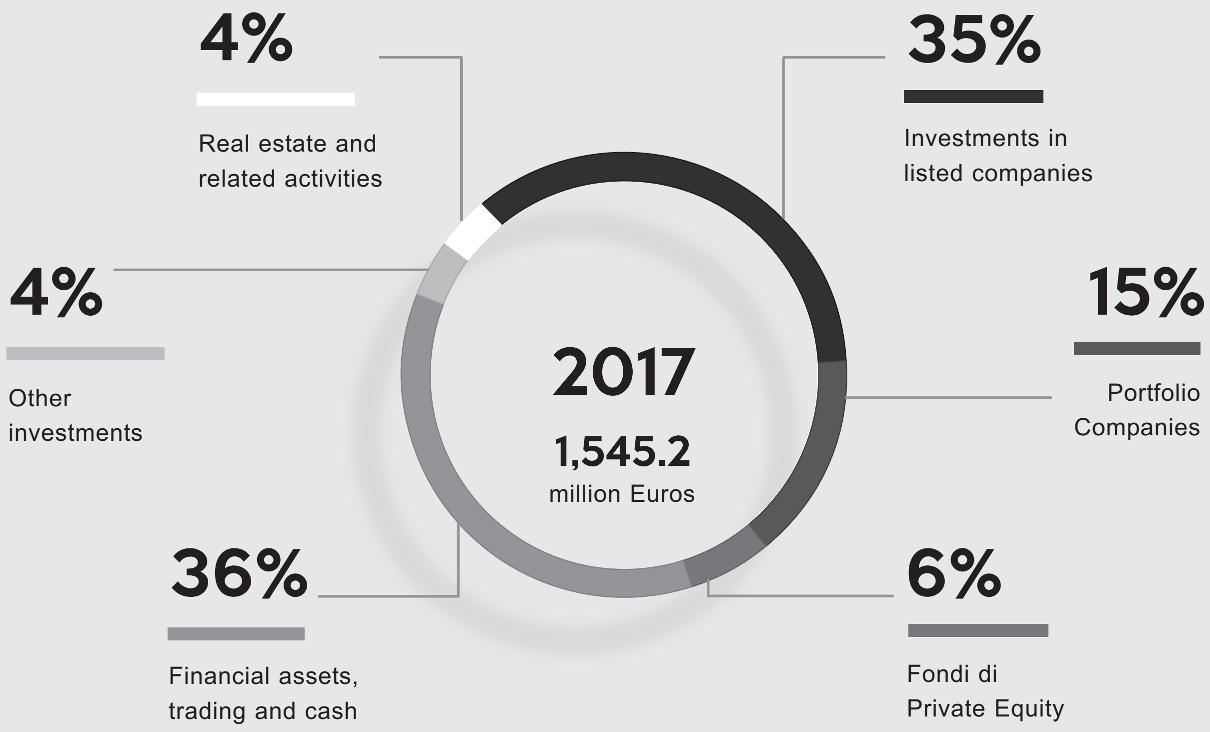


	(million Euros)
Investments in listed companies	592.6
Portfolio Companies	286.0
Fondi di Private Equity	88.4
Attività finanziarie, Trading e Liquidità	565.9
Other investments	23.2
Real estate and related activities	43.5
Total NAV at December 31, 2016	**1,599.8** *

Nav per share	**34.85€**
Nav discount	**36.7%**

* **1.499,8 milioni dato proforma al netto dell'OPAV su azioni proprie lanciata nel 2017**

Changes in the portfolio composition	
Bravosolution	OUT
Jaggaer	IN
Tecnica Group	IN



	(million Euros)
Investments in listed companies	544.4
Portfolio Companies	239.7
Fondi di Private Equity	95.1
Financial assets, trading and cash	549.3
Other investments	58.9
Real estate and related activities	57.7
Total NAV at December 31, 2017	**1,545.2**

Nav per share	**36.8€**
Nav discount	**34.6%**

Our history

1946

Italcementi, established in 1864, founds Italmobiliare to manage investments in different sector away from the cement business

1952

Acquisition of a stake in Franco Tosi

1962 / 78

Diversified investments in RAS, IBI, Falck, Bastogi

1979

Through a reverse merger, Italmobiliare becomes Italcementi parent company as well as the holding of the entire group. Italmobiliare is admitted to the Milan Stock Exchange in 1980

1982 / 86

Financial stakes in Ras and IBI are sold, focus on the main industrial asset Italcementi

1992 / 93

Internationalization of Italcementi by the acquisition of Ciment Français
Following the privatization process, Italmobiliare becomes shareholder of Credito Italiano

1994 / 05

Diversification of investment portfolio

2016

In July, after the acquisition of direct control of Italgen and BravoSolution, sale of Italcementi stake to HeidelbergCement Group. In September acquisition of Clessidra Sgr, the leading manager of Private Equity funds focused on the Italian market

2017

Acquisition of a 40% stake in Tecnica Group. Sale of BravoSolutionan d agreement with Jaggaer

Corporate bodies

Giampiero Pesenti		Honorary Chairman

Board of Directors
(Term ends on approval of financial statements at 12.31.2019)

Laura Zanetti	1-7	Chairperson
Livio Strazzera	1-7	Deputy Chairman
Carlo Pesenti	1-2	Chief Executive Officer - Chief Operating Officer
Vittorio Bertazzoni	3-6	
Giorgio Bonomi	4	
Mirja Cartia d'Asero	4-5-6	
Valentina Casella	4-5-6	
Elsa Fornero	5-6-9	
Sebastiano Mazzoleni		
Luca Minoli	1	
Chiara Palmieri	3-6	
Clemente Rebecchini	7	
Antonio Salerno	6	
Massimo Tononi	1-3-6	
Afra Casiraghi		Secretary to the Board

Board of Statutory Auditorse
(Term ends on approval of financial statements at 12.31.2019)

Standing statutory auditors	
Francesco Di Carlo	Chairman
Angelo Casò	
Luciana Ravicini	
Substitute statutory auditors	
Alberto Giussani	
Paolo Ludovici	
Giovanna Rita	

Manager in charge of financial reporting

Mauro Torri	8

Independent Auditors

KPMG S.p.A.

1 Member of the Executive Committee
2 Director in charge of the internal control and risk management system
3 Member of the Remuneration Committee
4 Member of the Risks and Sustainability Committee
5 Member of the Committee for Transactions with Related Parties
6 Independent director (pursuant to the Code of Conduct and Legislative Decree no. 58, February 24, 1998)
7 Independent director (pursuant to Legislative Decree no. 58, February 24, 1998)
8 Since July 1, 2017
9 Since July 27 2017

Professional profiles of the members of the board of directors and the board of statutory auditors

Board of Directors

Laura Zanetti

Director since November 14, 2013 and Chair since April 19, 2017
Born in Bergamo, July 26, 1970
Graduated with honors from the Bocconi University, where she is currently associate professor of corporate finance and director of the degree course in economics & finance.
Previously she was a member of the Steering Board of the Department of Finance, director of the Master of Science in finance at the Bocconi University and research fellow of the CAREFIN Center for Applied Research in Finance. She was also a visiting scholar at the Massachusetts Institute of Technology and the London School of Economics and Political Science.
She is a certified accountant and public accountant, a member of the foundation of the European Corporate Governance Institute, a director and statutory auditory of leading listed companies.
She is the author of many articles on corporate governance and company valuations.

Carlo Pesenti

Director since June 17, 1999 and Chief Executive Officer since May 27, 2014
Born in Milan, March 30, 1963
Degree in mechanical engineering – Milan Polytechnic.
Master in economics & management – Bocconi University, Milan.
After the experience of Joint Chief Operating Officer, from 2004 to 2016 he was Italcementi Chief Executive Officer.
Since 1999, member of the Board of Directors of Italmobiliare, the Group holding.
In 2001 appointed Chief Operating Officer and in May 2014 Chief Executive Officer.
Since September 2016, Chair of Clessidra SGR, an Italmobiliare subsidiary.
Since December 2017, a director of Tecnica Group S.p.A. and Teclor S.r.l.
Currently a member of the Board of Directors of the European Oncology Institute and of the Cesvi Foundation.
After chairing the Confindustria Reforms Commission, he became a permanent member of the confederation's General Council, of which he was Deputy Chair (2014-2016).
Since June 2015, member of the Steering Council and Board of Assonime.
Since 2017, member of the Advisory Board of Assolombarda.
From 2006-2008, Co-President of the Italo-Egyptian Business Council. He is also a member of the board of the Italy-India CEO Forum and Co-President of the Italy Thailand Business Forum.
President of the Fondazione Cav. Lav. Carlo Pesenti, active in no-profit projects for social, economic, technological, scientific and cultural innovation.

Livio Strazzera

Director since May 3, 2002 and Deputy Chair since April 19, 2017
Born in Trapani, July 23, 1961
Degree in economics & commerce – Luigi Bocconi University, Milan.
Accountant in Milan and registered public accountant.
Tax consultant, director and statutory auditor of a number of business corporations.

Vittorio Bertazzoni

Director since April 19, 2017
Born in Trapani, March 29, 1976
Degree in law from the University of Parma.
After graduation, he began his career at Arthur Andersen in the financial auditing sector, gaining international experience first at the New York office (USA), and later in Italy.
Subsequently, he worked with the Studies Office of Mediobanca S.p.A.
He is currently Deputy Chair and Chief Executive Officer of SMEG S.p.A., an Italian household appliances manufacturer.
He is also Deputy Chair and Chief Executive Officer of ERFIN S.p.A., the family group holding company.

Giorgio Bonomi

Director since May 3, 2002
Born in Bergamo, November 2, 1955
Degree in law – Milan State University.
Law practice in Bergamo. Public accountant.

Mirja Cartia d'Asero

Director since April 19, 2017
Born in Catania, November 22,1969.
She holds a degree in law from the University of Catania, and a specialism in real estate finance. She has been a member of the Italian bar association since 1996.
From 1996 to 2005, she worked in banking and finance at the Clifford Chance law firm (Rome – London) and the Allen & Overy law firm (Milan). From 2005 to 2017 she was with Lehman Brothers (London – Milan) holding various posts in the Global Real Estate Group and – since 2008 – in Administration. Since 2014 she has been Chief Executive Officer of Restar, a non-performing loans platform she co-founded for the US Varde Fund.
Among her other posts, she is a director of Casa Damiani S.p.A. and of Prelios S.p.A.

Valentina Casella

Director since April 19, 2017

Born in Boston (USA), October 19, 1979.

She holds a degree in law from the University of Milan, and a specialism in business law and corporate economics, as well as a Master in Laws from Columbia University and an M.B.A. from INSEAD.

She has been a member of the Italian bar association since 2006 and of the New York State bar association since 2008.

From 2007 to 2012 she was an associate of the Simpson Thacher & Bartlett law firm (New York).

She has been a partner of the Casella e Associati practice since 2014.

Elsa Fornero

Director since July 27, 2017

Born in San Carlo Canavese (Turin), May 7, 1948

Full professor of Political Economics at the Socio-Economic and Mathematical-Statistical Department (ESOMAS) at the University of Turin; scientific coordinator of the Center for Research on Pensions and Welfare Policies; vice president of the Survey of Health, Ageing and Retirement in Europe); honorary senior fellow at the Carlo Alberto College, research fellow at the Netspar Network for Studies on Pensions, Aging and Retirement and policy fellow at the Institute for the Study of Labor (IZA) in Bonn.

She is also a member of the research committee of the International Network on Financial Education (INFE) of the OECD and of the scientific committee of the Observatoire de l'Epargne Européenne (Paris).

She is a director of Centrale del Latte d'Italia and of Buzzi Unicem.

From November 16, 2011 to April 28, 2013 she was Minister of Employment and Social Policies, with responsibility for Equal Opportunities, in the government formed by Mario Monti. As Minister, she introduced reforms in pensions and the jobs market (approved by Parliament at the end of 2011 and in mid-2012 respectively).

She has published articles on public and private pensions systems, pensions reform, the ageing population, household savings, pension and life insurance decisions.

Sebastiano Mazzoleni
Director since May 25, 2011
Born in Milan, May 11, 1968
Degree in geology - Milan State University.
Master in Business Administration – Bocconi Business School, Milan.
Began his professional career in 1996 with CTG S.p.A. as a research geologist in charge of assessing raw materials for cement production, coordinating work groups in Italy, France, Spain and Thailand.
In 2000, he moved to Italcementi S.p.A. as Project Manager in the Marketing Division, with joint responsibility for drawing up new product marketing plans and benchmark analyses for development of competitive positioning models.
In 2003, he was involved in the creation of the new Group department "New Product Marketing Division", and was head of innovation for USA, Greece, Bulgaria, Turkey, Egypt, Thailand, Kazakhstan and India until 2009. Group manager in charge of the new project for enhancement of recoverable resources.
Since 2010 he has been involved in non-profit, social entrepreneurship and consultancy on innovation.

Luca Minoli
Director since May 3, 2002
Born in Naples, January 29, 1961
Degree in law, *magna cum laude*, 1985 – Milan State University.
Member of the Italian bar association since 1988. Registered member of the Order of Cassation Lawyers since 2006.
1986 to 1987, associate of Hughes Hubbard & Reed in New York. First associate, later partner from 1991 of the Ardito law firm. Partner, from 2004 to 2012, of the Dewey & LeBoeuf law firm. Partner of the Gattai, Minoli, Agostinelli & Partners law firm.

Chiara Palmieri
Director since April 19, 2017
Born in Milan, December 9, 1970
She has worked in finance for more than twenty years and is currently Chief Operating Officer of Laprima Holding S.r.l., an Italian family office.
She is a lecturer at the Bocconi University. She is a director of Snaitech S.p.A and sits on the Management Committee of Amref Health Africa Onlus-Italia. Previously she was a director of Poste S.p.A. Earlier, she worked in London for more than ten years, at Morgan Stanley, Credit Suisse and Goldman Sachs, where she was Chief Operating Officer and an executive director of the Private Wealth Management division for Europe and Asia.
She graduated *summa cum laude* from the Bocconi University, is a certified accountant and obtained a CEMS Master from the HEC-Paris University, after an exchange on the MBA program of the Stern School – New York University.

<u>Clemente Rebecchini</u>
<u>Director since May 25, 2011</u>
Born in Rome, March 8, 1964
After graduating in economics & commerce, in 1988 he qualified as a certified accountant. In 1989 he joined Mediobanca, where he is currently Central Director with responsibility for the Principal Investing division.
He was a director of Gemina S.p.A., Atlantia S.p.A., Aeroporti di Roma and Telco S.p.A., where from 2012 to 2015 he was also Chair of the Board of Directors.
Current posts

- Deputy Chair of Assicurazioni Generali S.p.A.
- Director of Istituto Europeo di Oncologia S.r.l.
- Central Director with responsibility for the Principal Investing division at Mediobanca S.p.A.

<u>Antonio Salerno</u>
<u>Director since April 19, 2017</u>
Born in Catanzaro, May 6, 1974
He holds a degree in economic and banking science from the University of Siena, and a Master in International Finance from the University of Amsterdam.
He developed his expertise in corporate governance, strategic analysis and company valuations first at Deminor as a corporate governance consultant (2000-2004) and later as an analyst and then investment manager at Hermes European Focus Fund (2005-2012).
Since 2012 he has been investment manager at RWC European Focus Fund.

<u>Massimo Tononi</u>
<u>Director since May 27, 2014</u>
Born in Trento, August 22,1964
Graduated in business economics - Bocconi University, Milan.
Began his career in 1988 at the London office of Goldman Sachs, mainly focusing on corporate mergers and acquisitions.
From 1993 to 1994, he was personal assistant to the Chair of IRI, before going back to Goldman Sachs in 1994, where he became a partner managing director, first in Milan and later in London.
In May 2006 he was appointed Under-Secretary of State at the Ministry of the Economy & Finance, with responsibility for public debt and State-owned companies. He left the government in 2008 and returned to Goldman Sachs, where he worked for another two years.
He was Chair of Banca Monte dei Paschi di Siena (2015-2016), Borsa Italiana (2011-2015), Cassa di Compensazione e Garanzia (2013-2015), Euro TLX (2013-2015), Vice President of ABI (2016) and a director of the London Stock Exchange Group (2010-2015) and Sorin (2010-2015).
Currently Chair of Prysmian and the Istituto Atesino di Sviluppo and a director of Il Sole 24 Ore. He is also a member of the Management Committee of Assonime and the Italian Committee for Corporate Governance.

Board of Statutory Auditors

Francesco Di Carlo

Born in Milan, October 4, 1969

Degree in economics & commerce – Milan Catholic University. Registered on the Milan Order of Certified Accountants and the Roll of Account Auditors.

Charter member of the Craca Di Carlo Guffanti Pisapia Tatozzi & Associati studio since January 2014, and for many years has provided consultancy for leading Italian and international corporations on corporate, banking, financial market, insurance, listed issuers and anti-laundering law.

He began his professional career in 1995. In 1996 he joined the Pirola, Pennuto, Zei e Associati studio and in 2000 was a charter member of the Annunziata e Associati practice, where he worked till December 2013.

From 2007 to 2016 he was president of the Law & Legal and Fiscal Consultancy Commission at the Italian Private Banking Association, of which he is still a member today. Among his key current posts, he is a standing auditor of Mediobanca S.p.A. and Clessidra SGR S.p.A.; a director of Milano Investment Partners SGR S.p.A.; Chair of the Supervisory Body of Banca Leonardo S.p.A.

Among previous posts, he was Chair and director of Pitagora S.p.A.; a director of Duemme SGR S.p.A.; Chair of the Board of Statutory Auditors of Equita SIM S.p.A., Equita Group S.p.A. and Idea Capital SGR S.p.A.; standing auditor of Vontobel SGR S.p.A. and Whirlpool EMEA S.p.A.; Chair of the Supervisory Body of Intek S.p.A., Kairos Partners SGR S.p.A. and Kairos Julius Baer SIM S.p.A.

He has lectured at the Catholic University in Milan and at the University of Bologna, in the Economics Faculty. He has lectured on juridical issues at the Bocconi University Business School.

He speaks frequently at conferences in Italy and abroad on topics relating to his area of specialization.

Angelo Caso'

Born in Milan, August 11, 1940

Degree in economics & commerce – Bocconi University, Milan.

Registered on the Milan Order of Certified Accountants and the Register of Account Auditors.

He chaired the Fédération des Experts Comptables Européens (F.E.E.) from 1991 to 1993, after serving as Deputy Chair for six years.

Since 1993 he has cooperated with the International Federation of Accountants (IFAC), holding a variety of roles on committees and the Board.

He was a member of the IFAC Compliance Advisory Panel Committee.

Member of the Milan Arbitration Chamber from 1998 to 2005.

Since 2008 he has chaired the Management Committee of the Organismo Italiano Contabilità (OIC), and from 2004 to 2008 chaired the OIC Scientific Technical Committee.

Board member of EFRAG since January 1, 2015.

Milan court-appointed receiver, judicial receivership commissioner, extraordinary commissioner and liquidator of insurance companies, company liquidator appointed by shareholders and the court of Milan.

He has been a certified accountant since 1965 with offices in Milan

He is a director and a member of the Board of Statutory Auditors of listed and non-listed Italian companies.

Luciana Ravicini

Born in Milan, January 10, 1959

Degree in economics & commerce – University of Brescia.

Registered on the Brescia Order of Certified Accountants.

Registered on the Register of Public Accountants.

Practicing certified accountant and public accountant.

Her professional assignments have allowed her to gain broad experience, notably in financial, fiduciary and industrial companies, and to accrue detailed knowledge in legal and tax matters.

She is a standing auditor in companies listed on the Milan Stock Exchange, Chair of the Board of Statutory Auditors, standing auditor and external auditor in industrial, financial and services companies.

She has also gained experience as a director in a company listed on the Milan Stock Exchange, where she also chaired the Committee of Independent Directors and was a full member of the Audit and Risk Committee.

Notice of Call

Those who are entitled to the voting rights at the Italmobiliare S.p.A. Annual General Meeting are hereby called to attend the Ordinary Annual General Meeting on single call on **18 April 2018, at 10.30 a.m.**, in the Intesa Sanpaolo Meetings' room, Piazza Belgioioso, 1, Milan, to deliberate upon the following:

Agenda

1) Reports of the Board of Directors and the Board of Statutory Auditors on financial year 2017; examination of the financial statements as at and for the year ended 31 December 2017; resolutions pertaining thereto and resulting therefrom;
2) Remuneration Report;
3) Authorization for the purchase and disposal of treasury shares, subject to revocation of the authorization given by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2017; resolutions pertaining thereto and resulting therefrom;
4) Resignation of a Director; resolutions pertaining thereto and resulting therefrom.

* . * . *

Entitlement to take the floor and to vote at the Meeting

Those who prove to be entitled to the voting rights at the end of the seventh open market day before the meeting date on single call (9 April 2018 – Record date) have the right to take the floor.

Those who will prove to be holders of ordinary shares of the Company after said date will not be entitled to take the floor and vote at the Meeting.

Credit and debit entries registered in the Intermediary accounts after the above-mentioned deadline do not affect entitlement to exercise the right to vote at the Meeting.

Entitlement to take the floor at the Meeting and to exercise the right to vote is attested by a notice served by the authorized Intermediary to the Company, conforming with the Intermediary's accounting records, in favor of the person/entity who is entitled to the right to vote. Said notice must reach the Company before the end of the third open market day (i.e., by 13 April 2018) prior to the scheduled Meeting date. No prejudice to the right to take the floor and to vote at the Meeting shall be suffered should the Company receive the notice after the above-mentioned deadline, provided that it is received before the beginning of the Meeting.

Shareholders who own ordinary shares that have not been yet dematerialized must previously deliver said shares to an Intermediary in sufficient time for their centralization in a dematerialization system, and request issue of the above-mentioned notice.

No voting procedures by correspondence or by means of electronic devices are provided for.

The regularity of the Meeting and the validity of its resolutions on the items on the agenda are governed by law.

Vote by proxy

Those who are entitled to take the floor at the Meeting may be represented by means of written proxy pursuant to current law, using the form available at the registered office (**via Borgonuovo 20, 20121 Milan**) and on the Company website *www.italmobiliare.it,* under the section *Governance/General Meetings.*

The proxy may be notified to the Company by means of registered letter sent to the registered office (Shareholders' Office, at the above address) or by transmission to the certified email address *soci.italmobiliare@legalmail.it*. The proxy-holder may also deliver or send to the Company a copy of the proxy in substitution of the original, on an electronic support if preferred, attesting under his/her own responsibility that the proxy is a copy of the original, and to the identity of the delegating party.

* . * . *

Supplements to the agenda

Shareholders who, alone or jointly, own at least one fortieth of the share capital represented by shares with voting rights, may request in writing, within ten days as of the publication of this notice of call, for supplements to the Meeting agenda, stating in their application the additional items they propose. Requests must be sent by means of registered letter to the registered office (*Legal and Corporate Affairs Department* – to the above-mentioned address) or by transmission to the certified email address *affarisocietari.italmobiliare@legalmail.it*, accompanied by appropriate documentation issued by an authorized Intermediary providing evidence of the ownership of the above-mentioned percentage of the share capital and confirming the entitlement to exercise the right to make additions to the agenda. A report on the items whose examination is proposed must be delivered to the Board of Directors within the same deadline and following the same procedure.

Any supplements to the agenda will be disclosed to the public, following the same procedure provided for the publication of this notice of call, at least fifteen days before the Meeting date (i.e., by 3 April 2018); at the same time, the report drafted by the shareholders who proposed the supplement will be made available to the public, accompanied by any considerations of the Board of Directors.

Supplements to the agenda are not accepted for items on which the Meeting deliberates, by law, on the proposal of the directors or on the basis of a project or a report drawn up by the directors.

Right to raise questons on the items on the agenda

Those who are entitled to vote may submit questions on the items on the agenda before the Meeting. To facilitate proceedings and preparations for the Meeting, said questions must be received by the Company by 15 April 2018, by means of registered letter to the registered office (*Legal and Corporate Affairs Department* – at the above-mentioned address) or by transmission to the certified email address *affarisocietari.italmobiliare@legalmail.it* accompanied by appropriate documentation issued by an authorized intermediary providing evidence of the right to vote.

Questions submitted within the above deadline will be answered during the Meeting at the latest. The Company may provide a a sole answer to questions having the same content.

Resignation of a director

On 13 June 2017, Livia Pomodoro, a member of the Board of Directors of Italmobiliare S.p.A., presented her resignation with immediate effect. Following this event, on 27 July 2017, the Board of Directors coopted Prof. Elsa Fornero as a new director.

The Meeting is therefore called upon to deliberate the above replacement with a relative majority of the capital represented at the Meeting, pursuant to art. 16 of the By-laws.

* . * . *

Disclosure information

The document relating to the items on the agenda, the full texts of the proposed resolutions, as well as the Board reports and the other information required by law will be made available to the public within the deadlines set forth by law at the registered office, Borsa Italiana S.p.A., on the authorized storage system *eMarket-STORAGE* and on the Company website *www.italmobiliare.it* under the section Governance/General Meetings.

Shareholders have the right to review all the documents filed at the registered office and to obtain a copy thereof.

* . * . *

Information concerning the share capital and shares with voting rights

The company share capital is Euro 100,166,937, represented by 47,633,800 ordinary shares, no par value.

As of the date of publication of this notice of call, the number of shares representing the share capital with voting rights, that is net of the 5,685,870 ordinary treasury shares held by the company, is 41,947,930.

Milan, 16 March 2018

for the Board of Directors
The Chairman
Laura Zanetti

Italmobiliare Group

Directors' report

Foreword

Following the adoption by the European Union of Regulation no. 1606 of 2002, the Italmobiliare S.p.A. Group consolidated financial statements as at and for the year ended December 31, 2017, and the corresponding figures for 2016, have been drawn up in compliance with the IFRS.
Since January 1, 2017, the Group has adopted the amendments described below, including the changes arising therefrom applied to other standards:

- changes to IAS 7 "Disclosure initiative";
- changes to IAS 12 "Recognition of deferred tax assets for unrealized losses".

On December 28, 2017, Italmobiliare S.p.A. finalized the agreement announced on November 29, 2017, for the sale of the entire equity investment in BravoSolution S.p.A. The discontinued assets have not been treated as indicated by IFRS 5, with the recognition of the income-statement items under a single specific line item ("Profit (loss) relating to discontinued operations, net of tax effects"), since the equity investment in question does not constitute a material discontinued operation pursuant to paragraph 31 et seq. of IFRS 5. Consequently, the consolidated income statement incorporates the results of the BravoSolution group, line by line, up until October 31, 2017, the last available date prior to the sale.

Performance indicators

To assist understanding of its financial data, for several years the Group has consistently employed a number of widely used indicators, which are not contemplated by the IAS/IFRS. In particular, the income statement presents the following intermediate indicators/results: gross operating profit (loss) and operating profit (loss), computed as the sum of the preceding items. On the face of the statement of financial position, similar considerations apply to net financial debt, whose components are detailed in the specific section of the notes. Since the indicators employed by the Group are not envisaged by the IFRS, their definitions may not coincide with and therefore not be comparable to those adopted by other companies/groups.

This report contains many financial and non-financial performance indicators, including those indicated above. The financial indicators, taken from the financial statements, are used in the tables summarizing the Group's financial position and performance, in relation to comparative amounts and to other amounts from the same year (e.g., change in revenue, gross operating profit (loss) and operating profit (loss) with respect to the previous year, and change in their return on revenue). The use of amounts not directly reflected in the financial statements (e.g., the exchange-rate effect on revenue and on profit or loss) and the presentation of comments and assessments assist qualification of the trends in the amounts concerned.

The directors' report also provides a series of financial ratios (gearing and leverage) that are clearly of importance for a better understanding of the performance of the Group, especially with respect to previous years. The non-financial indicators refer to external and internal elements: the situation of the general economy and the industries in which the Group operates, trends on the various markets and operating segments, trends in sales prices and main cost factors, acquisitions and disposals, other significant events in the year, organizational developments, the introduction of laws and regulations, etc. In the notes, the section on net financial debt provides information about the effects of changes in interest rates and the main exchange rates on the statement of financial position and the income statement.

Overview

The expansionary phase in the world economic cycle that began in the summer of 2016 strengthened further during 2017, outperforming expectations, with extensive contributions from and synchronization among the various geographical regions. GDP growth was 3.8% (vs. 3.4% in 2016): the highest figure since 2011 and above the long-term average since 1980 (3.5%).

Specifically, the rise in consumption, investments and international demand boosted the economic indicators of the Eurozone and Japan, more than counterbalancing the momentary weakness in US consumption and the contained slowdown in the United Kingdom. The acceleration in growth in Italy was on a par with the Eurozone average, but beneath the Eurozone in absolute terms (1.5% vs. 2.4% respectively). In addition to the positive contribution from international demand, Italy's GDP was sustained by the recovery in domestic demand.

The global expansionary phase was driven by the developed nations, but also benefited from performance in the emerging and developing countries: the increase in domestic demand enabled China to stabilize its growth (6.8%), while international demand triggered an upturn in Brazil.

The economic situation was reflected in trends in raw materials. The industrial sector index maintained the upward trend that began in early 2016, while the oil price exceeded 60 dollars/barrel, for an overall increase of 17%, in which the OPEC agreements and tensions in the Middle East were also contributing factors.

The greater use of the potential of production factors and consequent reduction in the output gap assisted a moderate upswing in the global inflation rate from 2016, although the index excluding more volatile components remained fixed at the ten-year average, below 2%.

In this scenario, the reflation of financial instruments continued, underpinned by ultra-expansionary monetary policies and pro-cyclical or at least neutral fiscal policies. Specifically, the year-end US tax reforms and consequent upgrading of earnings forecasts for 2018 drove an additional acceleration of stock-market growth in the final quarter, leading the global index to achieve an annual overall performance of 17.5% (excluding dividends). The upswing was based largely on the rise in earnings forecasts, keeping the index valuation multiples at levels close to the beginning of the year, albeit still higher than the historic averages. The bull market was driven by the technology sector (+37%); in geographical terms, the emerging countries showed the largest increase (+27%) compared with the Eurozone index (+10.1%) which performed below the world index. The FtseMib, with 13%, reported a share price increase above the average for the Eurozone.

Trends on the European markets were affected by the significant appreciation of the Euro, in particular against the US dollar (+12%). During the year, the exchange rate reflected a better-than-expected economic trend in the Eurozone, and consequently a reformulation of expectations, which more than counterbalanced the gradual widening in the interest-rate differential to the advantage of the USA.

The stability of the inflation rate, combined with QE at the ECB and the Japanese central bank, kept medium- and long-term bond yields under pressure at global level. In fact, despite the three consecutive interest-rate increases by the Fed (for a total of 75 bps), at the end of 2017 US ten-year yields were at the year-opening level (2.4%), while the equivalent German Bund showed a contained increase of 20 bps, to close the year at 0.42%. The spread between the Italian ten-year BTP and the Bund was virtually unchanged at 160 bps.

Conversely, the corporate bond markets benefited from the economic expansion and the record lows generated by market volatility. Euro investment grade credit spreads narrowed by an additional 40 bps.

In this economic context, in 2017 the Italmobiliare Group recorded **profit for the year** of 115.2 million euro (68.2 million euro in 2016), of which 115.0 million euro was attributable to owners of the parent (57.0 million euro in 2016).

Breakdown of consolidated profit by segment

(in millions of euro)	December 2017	% of total	December 2016	% of total
Industrial and services for industry segment	(1.1)	*(0.9)*	1.8	*3.1*
Financial and Private equity segment	97.7	*84.9*	748.5	*1,313.8*
Other activities	(1.0)	*(0.9)*	(0.6)	*(1.1)*
Discontinued segments	0.0	*0.0*	(83.4)	*(146.5)*
Inter-segment eliminations	19.4	*16.9*	(609.3)	*(1,069.3)*
Profit for the year attributable to owners of the parent	**115.0**	***100.0***	**57.0**	***100.0***

The other main results relating to continuing operations for the year ended December 31, 2017 were:

- **Revenue and income:** 507.6 million euro compared with 451.0 million euro for the year ended December 31, 2016 (+12.5%);
- **Gross operating profit:** 146.6 million euro compared with 57.8 million euro for the year ended December 31, 2016 (positive change >100%);
- **Operating profit:** 127.6 million euro compared with 37.4 million euro for the year ended December 31, 2016 (positive change >100%);
- **Profit before tax:** 121.5 million euro compared with 5.1 million euro for the year ended December 31, 2016 (positive change >100%).

At December 31, 2017, **total equity** was 1,373.7 million euro, while **equity attributable to owners of the parent** was 1,373.3 million euro, compared with 1,334.2 million euro and 1,325.0 million euro respectively at December 31, 2016.

In 2017, **capital expenditure** totaled 141.9 million euro, a significant reduction compared with 2016 (356.0 million euro).

The overall **net financial position** at December 31, 2017 was 494.8 million euro, compared with 493.5 million euro at the end of 2016.

As a result of the changes in equity and the net financial position, the **gearing** ratio (consolidated net financial position/equity) decreased from 36.99% at the end of 2016 to 36.02% at December 31, 2017.

Performance in the individual segments of the Italmobiliare Group was as follows:

- the **Industrial and services for industry segment,** composed of the operations of the Sirap group, which produces and markets fresh-food packaging, the Italgen group, active in production and distribution of electric power from renewable sources, and the BravoSolution group, the international leader in supply management solutions, which was sold to the US Jaggaer group on December 28, 2017 and therefore contributed to the Italmobiliare Group consolidated financial statements for the first ten months of 2017 only. The Industrial and services for industry segment also includes the operations of the Tecnica Group, in which a 40% shareholding was acquired on November 30, 2017, and which is consolidated with the equity method. Further details are provided in the specific sections on each group.
  Overall, the Industrial and services for industry segment closed 2017 with a loss of 2.0 million euro, of which 3.5 million euro attributable to owners of the parent (profit of 4.5 million euro for 2016 of which 2.8 million euro attributable to owners of the parent);
- the **Financial and Private equity segment**, represented by the parent Italmobiliare S.p.A. and the subsidiaries Franco Tosi S.r.l. and Clessidra SGR S.p.A., closed 2017 with a profit of 97.7 million euro (748.5 million euro in 2016). The results of the Financial and private equity segment were positively affected by the events that took place in 2017, specifically the sale of the equity investment in BravoSolution S.p.A. to the US group Jaggaer on December 28, 2017, which generated a net gain of 72.0 million euro (the previous year had benefited from the sale of the equity investment in Italcementi to the German group HeidelbergCement AG, with a net gain of 754.5 million euro). The year 2017 also saw the stock split of Italmobiliare S.p.A. ordinary shares, the launch and

completion of a public voluntary tender offer on the company's ordinary shares, the commencement of the upstream merger of Franco Tosi S.r.l, which was completed in 2018, and the acquisition of the Tecnica Group. Details of these transactions are provided in the section "Financial and Private equity Segment";

- the **Other activities** segment, represented by real estate companies, services companies operating largely within the Group and a bank based in the Principality of Monaco. The segment is of marginal importance within the Italmobiliare Group. In 2017 it posted a loss of 1.1 million euro (a loss of 643 thousand euro in 2016).

Beginning from the current year, the company has changed the method used to calculate NAV, which now excludes treasury shares. For this reason, NAV at December 31, 2016, originally stated at 1,634.9 million euro, has been re-computed at 1,599.8 million euro. The company has also reviewed the classification of assets, to reflect its corporate organization more closely.

Italmobiliare S.p.A. **Net Asset Value** at December 31, 2017, excluding treasury shares, was 1,545.2 million euro (1,599.8 million euro at December 31, 2016, re-stated to exclude treasury shares) on capitalization of 1,010.0 million euro, reflecting a discount of 34.6%. It comprised the following activities:

(in millions of euro)	**December 31, 2017**	**% of total**	**December 31, 2016**	**% of total**
Listed equity investments [1]	544.4	*35.2%*	592.6	*37.0%*
Portfolio companies [2]	239.7	*15.5%*	286.0	*17.9%*
Other equity investments	58.9	*3.8%*	23.2	*1.5%*
Private equity funds	95.1	*6.2%*	88.4	*5.5%*
Properties and related assets [3]	57.7	*3.7%*	43.5	*2.7%*
Financial assets, trading, cash and cash equivalents	549.3	*35.5%*	565.9	*35.4%*
Total Net Asset Value	**1,545.2**	***100.0%***	**1,599.8**	***100.0%***

Compared with December 31, 2016, the 54.6 million euro decrease arose largely from the voluntary public tender offer on Italmobiliare shares, which generated an outlay of approximately 100 million euro, to the capital gain from the sale of the BravoSolution group (+21.8 million euro), to the fair value gains on the equity investments in Mediobanca S.p.A. (+25.4 thousand euro), Clessidra Capital Partner 3 fund (+15.4 million euro) and HeidelbergCement AG (+36.5 million euro), to the distribution of dividends (-25.7 million euro) and to the settlement of some claims relating to HeidelbergCement AG (-17.0 million euro).

At December 31, 2017, NAV per Italmobiliare ordinary share, excluding treasury shares, was 36.8 euro.

NAV was computed considering:

- the market price at December 31, 2017 of investments in listed companies;
- the value of non-listed companies, where measurable, based on market multiples or specific valuations or, when such information is not available, on equity as reflected in the most recent approved financial statements drawn up in accordance with the IFRS or local accounting principles;
- the market value of real estate assets;
- the deferred tax effect.

[1] A new category of assets, "Listed equity investments", is shown, comprising the main equity investments in listed companies (HeidelbergCement AG and Mediobanca S.p.A.).
[2] "Portfolio companies" includes the equity investments in Italgen S.p.A., BravoSolution S.p.A. (in 2016), Sirap Gema S.p.A., Clessidra SGR S.p.A. and Tecnica Group (in 2017).
[3] Properties and related assets previously included under "Other equity investments and assets" are shown separately.

Key consolidated figures

(in millions of euro)	2017	2016	% change
Revenue and income	**507.6**	**451.0**	***12.5***
Gross operating profit [1]	**146.6**	**57.8**	***n.s.***
% of revenue	*28.9*	*12.8*	
Amortization and depreciation	(19.0)	(20.0)	*5.0*
Impairment losses on non-current assets	0.0	(0.4)	*n.s.*
Operating profit [2]	**127.6**	**37.4**	***n.s.***
% of revenue	*25.1*	*8.3*	
Net finance costs	(6.3)	(5.6)	*(13.9)*
Impairment losses on financial assets	0.0	(26.2)	*n.s.*
Share of profit (loss) of equity-accounted investees	0.2	(0.5)	*n.s.*
Profit before tax	**121.5**	**5.1**	***n.s.***
% of revenue	*23.9*	*1.1*	
Income tax expense	(6.2)	(18.5)	*66.4*
Profit (loss) relating to continuing operations	**115.2**	**(13.4)**	**n.s.**
Profit relating to discontinued operations, net of tax effects	0.0	81.6	*n.s.*
Profit for the year	**115.2**	**68.2**	**68.9**
attributable:			
- Owners of the parent	**115.0**	**57.0**	***n.s.***
- Non-controlling interests	0.2	11.2	*(97.6)*
Cash flow from operating activities relating to continuing operations	(4.7)	13.4	
Capital expenditure relating to continuing operations	141.8	356.0	

n.s. not significant

(in millions of euro)	December 31, 2017	December 31, 2016
Total equity	1,373.7	1,334.2
Equity attributable to owners of the parent	1,373.3	1,325.0
Overall net financial position	494.8	493.5
Number of employees at year end	1,417	2,067

[1] Gross operating profit (loss) is the difference between revenue and costs excluding amortization and depreciation, impairment losses on non-current assets, finance income (costs), share of profit (loss) of equity-accounted investees and income tax.
[2] Operating profit corresponds to the preceding caption with the inclusion of amortization and depreciation and impairment losses on non-current assets.

Revenue and operating performance for 2017
Contribution to consolidated revenue and income

(net of intragroup eliminations)

(in millions of euro)	2017		2016		Change	
		%		%	%	%[1]
Operating segment						
Industrial and services for industry segment	316.7	*62.4*	341.2	*75.7*	*(7.2)*	*(6.7)*
Financial and Private equity segment	188.7	*37.2*	106.8	*23.7*	*76.7*	*76.7*
Other activities	2.2	*0.4*	3.0	*0.6*	*(25.4)*	*(25.4)*
Total	**507.6**	***100.0***	**451.0**	***100.0***	***12.5***	***12.9***

[1] on a like-for-like basis and at constant exchange rates.
n.s. not significant.

Revenue and operating performance by segment

(in millions of euro)	Revenue and income		Gross operating profit (loss)		Operating profit (loss)	
	2017	% change vs. 2016	2017	% change vs. 2016	2017	% change vs. 2016
Operating segment						
Industrial and services for industry segment	315.4	*(7.6)*	24.1	*(28.5)*	5.7	*(60.0)*
Financial and Private equity segment	170.0	*(80.5)*	103.5	*(86.9)*	102.8	*(87.0)*
Other activities	3.4	*(2.0)*	(1.0)	*n.s.*	(1.2)	*n.s.*
Inter-segment eliminations	18.8	*n.s.*	20.0	*n.s.*	20.3	*n.s.*
Total	**507.6**	***12.5***	**146.6**	***n.s.***	**127.6**	***n.s.***

n.s. not significant.

The 12.5% improvement in **revenue and income** from 2016 arose from:

- revenue and income at constant exchange rates and on a like-for-like basis, for 12.9%;
- a negative exchange-rate effect, for 0.4%.

At constant exchange rates and on a on a like-for-like basis, the increase arose in the Financial and Private equity segment (positive change of 76.7%), largely as a result of the gain realized on the sale of the BravoSolution group. The overall contribution of the Industrial and services for industry segment was negative at 6.7%, due to the revenue reductions at the Italgen group (-11.2 million euro from 2016), the BravoSolution group (-14.4 million euro as a result of consolidation limited to the first ten months of 2017) and, to a lesser extent, at the Sirap group (-0.2 million euro from 2016).

Gross operating profit was 146.6 million euro, up 88.8 million euro from 2016 (57.8 million euro). Compared with 2016, gross operating profit rose in the Financial and Private equity segment (+99.0 million euro) due to the significant revenue improvement described above, offset in part by the downturn in the Industrial and services for industry segment (-9.7 million euro) relating mainly to the Sirap and BravoSolution groups.

After amortization and depreciation in line with 2016, **operating profit** was 127.6 million euro (37.4 million euro in 2016).

Finance costs and other items

Net finance costs amounted to 6.3 million euro, an increase of 0.7 million euro from 2016 arising largely from exchange-rate differences and net derivatives.

The caption does not include finance income and costs of the Financial and private equity segment, which are part of the segment's core business and therefore classified under the line items constituting gross operating profit.

Impairment losses on financial assets amounted to 21 thousand euro (26.2 million euro in 2016).

The **share of profit (loss) of equity-accounted investees** reflected profit of 0.2 million euro (loss of 0.5 million euro in 2016).

Profit for the year

The Group posted **profit before tax** of 121.5 million euro (profit of 5.1 million euro in 2016).

After income tax expense of 6.2 million euro (18.5 million euro in 2016), the **profit for the year relating to continuing operations** was 115.2 million euro (loss of 13.4 million euro in 2016).

In 2016, discontinued operations showed a profit arising from the net gain of 94.7 million euro realized on the sale of Italcementi S.p.A. and the loss of 13.1 million euro reported by the sold group in the first six months of 2016.

Overall, the Group posted a **profit for the year** of 115.2 million euro, of which 115.0 million euro attributable to owners of the parent. This compared with the profit of 68.2 million euro for the year to December 31, 2016 (of which 57.0 million euro attributable to owners of the parent).

Total comprehensive income

In 2017, other comprehensive income relating to continuing operations amounted to 56.2 million euro (income of 67.0 million euro in 2016) arising from:

- fair value gains on available-for-sale assets and derivatives for a total of 37.9 million euro;
- measurement gain of 0.5 million euro on the net liabilities (assets) relating to employee benefits;
- translation losses of 1.4 million euro;
- a positive tax effect of 19.0 million euro.

There was no effect from discontinued operations in 2017 (income of 47.6 million euro in 2016).

Considering the profit for the year of 115.2 million euro and the above items, total comprehensive income in 2017 was 171.4 million euro (income of 182.8 million euro in 2016).

The statement of comprehensive income is included with the consolidated financial statements.

Reclassified statement of financial position

(in millions of euro)	December 31, 2017	December 31, 2016
Property, plant and equipment + investment property	139.9	138.9
Intangible assets	15.4	52.1
Other non-current assets	839.9	806.1
Non-current assets	**995.2**	**997.1**
Current assets	**681.6**	**762.7**
Discontinued operations	5.6	-
Total assets	**1,682.4**	**1,759.8**
Equity attributable to owners of the parent	1,373.3	1,325.0
Non-controlling interests	0.4	9.2
Total equity	**1,373.7**	**1,334.2**
Non-current liabilities	152.6	228.1
Current liabilities	156.1	197.5
Total liabilities	**308.7**	**425.6**
Total equity and liabilities	**1,682.4**	**1,759.8**

Equity

Total equity at December 31, 2017, was 1,373.7 million euro, an increase of 39.5 million euro from December 31, 2016. The overall change arose from:

- the profit for the year of 115.2 million euro;
- gains of 57.0 million euro in the fair value reserve on equity investments and derivatives;
- the gain of 0.7 million euro on the re-measurement of assets and liabilities relating to employee benefits;
- dividends paid for 25.6 million euro;
- exchange-rate losses of 3.6 million euro;
- a negative change in the scope of consolidation and share buybacks, for a total amount of 104.2 million euro.

Net financial position

At December 31, 2017, the net financial position was 494.8 million euro, in line with the figure at December 31, 2016 (493.5 million euro).

The balance on the year's cash flows was positive at 1.3 million euro, largely thanks to divestments of non-current assets for 264.3 million euro, structure differences and translation differences for 14.7 million euro, net of capital expenditure of 141.8 million euro, share buybacks of 100.1 million euro, dividends paid for 25.6 million euro and outflows for operating activities of 4.7 million euro.

Breakdown of net financial position

(in millions of euro)	December 31, 2017	December 31, 2016
Current financial assets	549.2	597.9
Current financial liabilities	(66.6)	(73.7)
Non-current financial assets	58.8	47.2
Non-current financial liabilities	(46.6)	(77.9)
Overall net financial position	**494.8**	**493.5**

Financial ratios

(amounts in millions of euro)	December 31, 2017	December 31, 2016
Overall net financial position	494.8	493.5
Consolidated equity	1,373.7	1,334.2
Gearing	**36.02%**	**36.99%**
Net financial position relating to continuing operations	494.8	493.5
Gross operating profit	146.6	57.8
Leverage	**3.38**	**8.54**

Condensed statement of cash flows

(in millions of euro)	December 31, 2017	December 31, 2016
Overall net financial position at beginning of year	**493.5**	**(2,081.7)**
Cash flow from operating activities	(4.7)	13.4
Capital expenditure:		
PPE, investment property and intangible assets	*(28.9)*	*(43.8)*
Non-current financial assets	*(112.9)*	*(312.2)*
Capital expenditure	**(141.8)**	**(356.0)**
Proceeds from sale of non-current assets	277.5	938.5
Purchase of treasury shares	(100.1)	(14.8)
Dividends paid	(25.6)	(144.8)
Translation and structure differences	1.5	23.7
Other	(5.5)	(22.2)
Net cash flows for the year	**1.3**	**437.8**
Cash flows relating to discontinued operations	0.0	2,137.4
Overall net financial position at end of year	**494.8**	**493.5**

Capital expenditure

(in millions of euro)	Non-current financial assets		PPE and investment property		Intangible assets	
	2017	2016	2017	2016	2017	2016
Operating segment						
Industrial and services for industry segment	-	6.9	15.0	15.9	6.9	11.0
Financial and Private equity segment	112.9	305.3	0.6	15.7	-	-
Other activities	-	-	6.5	0.1	-	-
Total	**112.9**	**312.2**	**22.1**	**31.7**	**6.9**	**11.0**
Change in payables	-	-	-	1.1	-	-
Total capital expenditure	**112.9**	**312.2**	**22.1**	**32.8**	**6.9**	**11.0**

Group capital expenditure in 2017 amounted to 141.8 million euro, a significant reduction from 2016 (356.0 million euro).

Capital expenditure on non-current financial assets amounted to 112.9 million euro (312.2 million euro in 2016) and related to investments made by the Financial and Private equity segment. Attention is drawn to the investments in Tecnica Group (43.3 million euro), Sciquest (Jaggaer Group) for 35.0 million euro and Ambercoffee (10.0 million euro).

Capital expenditure in property, plant and equipment and investment property amounted to 22.1 million euro and referred mainly to the investments by the Sirap group for 12.0 million euro, the Italgen group for 2.5 million euro and Italmobiliare Servizi S.r.l. for 6.5 million euro, relating to the acquisition of properties in Bergamo.

Capital expenditure on intangible assets included investments by the BravoSolution group for 6.3 million euro, relating to software development for the technological platform, and by the Sirap group for 0.6 million euro.

Reconciliation between the parent's profit for the year and equity, and the profit for the year and equity attributable to owners of the parent

(in millions of euro)			December 31, 2017
Profit for the year of the parent Italmobiliare S.p.A.			**102.1**
Consolidation adjustments			
• Loss for the year at consolidated companies (share attributable to owners of the parent)			(6.0)
• Adjustment to the carrying amount of equity-accounted investees			(0.2)
• Elimination of dividends recognized in the year			(8.2)
• Elimination of intragroup gains or losses and other changes[1]			27.3
Profit for the year attributable to owners of the parent			**115.0**
Equity of the parent Italmobiliare S.p.A.			**1,252.1**
• Elimination of carrying amount of consolidated equity investments			(290.7)
	in fully consolidated companies	*(237.8)*	
	in equity-accounted investees	*(52.9)*	
• Recognition of equity of consolidated equity investments			397.5
	in fully consolidated companies	*367.8*	
	in equity-accounted investees	*29.7*	
• Gains allocated to equity of subsidiaries and associates			
• Elimination of intragroup transactions and other changes			14.4
Consolidated equity attributable to owners of the parent			**1,373.3**

[1] The change arose largely from the difference in value between the separate financial statements and the consolidated financial statements of the BravoSolution net assets derecognised after the sale

Risks and uncertainty

Risks and uncertainties are examined in the sections on the individual segments, since they are different and specific to each Group segment.

Information on personnel and the environment

Information on personnel and the environment is provided in the sections on the individual segments, since each segment presents its own specific characteristics.

Industrial and services for industry segment

The Industrial and services for industry segment consists of the operations of the Sirap group, which produces and markets fresh-food packaging, the Italgen group, which produces and distributes electric energy from renewable sources, and the BravoSolution group, the international leader in supply management solutions, which was sold to the US Jaggaer group on December 28, 2017 and therefore contributed to the Italmobiliare Group consolidated financial statements for the first ten months of 2017 only. The Industrial and services for industry segment also includes the operations of the Tecnica Group, in which a 40% equity investment was acquired on November 30, 2017, and which is consolidated using the equity method.

(in millions of euro)	2017	2016	% change
Revenue and income	**315.4**	**341.2**	***(7.6)***
Gross operating profit	**24.1**	**33.8**	***(28.5)***
% of revenue	*7.7*	*9.9*	
Amortization and depreciation	(18.4)	(19.5)	*5.7*
Impairment losses on non-current assets	-	-	-
Operating profit	**5.7**	**14.3**	***(60.0)***
% of revenue	*1.8*	*4.2*	
Net finance costs	(5.5)	(6.0)	*6.7*
Impairment losses on financial assets	-	-	-
Share of profit (loss) of equity-accounted investees	0.2	-	*n.s.*
Profit before tax	**0.4**	**8.3**	***(94.9)***
% of revenue	*0.1*	*2.4*	
Income tax expense	(2.4)	(3.8)	*35.3*
Profit (loss) for the year	**(2.0)**	**4.5**	***n.s.***
attributable:			
- Owners of the parent	**(3.5)**	**2.8**	***n.s.***
- Non-controlling interests	1.5	1.7	*(16.2)*
Capital expenditure	21.9	33.8	

n.s. not significant

	December 31, 2017	December 31, 2016
Total equity	84.9	77.1
Equity attributable to owners of the parent	84.5	73.6
Net financial debt	(85.1)	(95.3)
Number of employees at year end	1,317	1,963

Revenue and income in the Industrial and services for industry segment was down 7.6%, essentially due to the change in the scope of operations relating to the BravoSolution group (-14.4 million euro), sold at the end of December and consolidated on the basis of its financial statements at October 31, 2017, and to the reduction in revenue at the Italgen group (-11.2 million euro) and, to a limited extent, at the Sirap group (-0.2 million euro).

There was a significant decrease of 9.6 million euro in the gross operating profit for the year compared with 2016, arising mainly at the Sirap group (-5.5 million euro) and the BravoSolution group (-3.4 million euro).

Operating profit was down 8.6 million euro, from 14.3 million euro in 2016 to 5.7 million euro at the end of 2017.

Finance costs for the year under review amounted to 5.5 million euro (costs of 6.0 million euro in 2016).

After income tax expense of 2.4 million euro (3.8 million euro in 2016), 2017 closed with a loss of 2.0 million euro of which 3.5 million euro attributable to owners of the parent. This compared with a profit of 4.5 million euro in 2016, of which 2.8 million euro attributable to owners of the parent.

The business and financial performance of each group in the Industrial and services for industry segment is described below.

Sirap group

The Sirap group, through its subsidiaries in Italy and abroad, is active in the production and sale of products for the packaging of fresh food.

The corporate structure at December 31, 2017 was unchanged with respect to December 31, 2016, with the exception of the withdrawal from the scope of consolidation of Petruzalek d.o.o. (Bosnia) following completion of the winding-up process; the company in question had ceased business operations as from June 30, 2015, as the lack of development prospects on the local market meant it was no longer relevant to the strategic plans of the Petruzalek group.

Business and financial performance

(in millions of euro)	2017	2016	% change
Revenue and income	**207.1**	**207.3**	***(0.1)***
Gross operating profit	**15.0**	**20.5**	***(26.6)***
% of revenue	*7.3*	*9.9*	
Amortization and depreciation	(9.1)	(9.0)	*(1.9)*
Impairment losses on non-current assets	-	-	
Operating profit	**5.9**	**11.5**	***(48.9)***
% of revenue	*2.9*	*5.6*	
Net finance costs	(2.9)	(3.2)	*12.7*
Profit before tax	**3.0**	**8.3**	***(63.2)***
% of revenue	*1.5*	*4.0*	
Income tax expense	(0.7)	(2.1)	*64.9*
Profit for the year	**2.3**	**6.2**	***(62.6)***
attributable:			
- Owners of the parent	**2.3**	**6.1**	***(62.7)***
- Non-controlling interests	-	0.1	*n.s.*
Capital expenditure	12.6	10.6	

n.s. not significant.

(in millions of euro)	December 31, 2017	December 31, 2016
Total equity	16.1	15.3
Equity attributable to ow ners of the parent	15.8	15.0
Net financial position	(67.2)	(65.1)
Number of employees at year end	1,222	1,209

In 2017, food consumption remained weak in the countries where the group operates; consolidated revenue was in line with 2016, in part thanks to a smaller exchange-rate effect (-0.2 million euro, against an estimated -2.7 million euro at December 31, 2016).

In the closing months of 2016 and early months of 2017, the price of the polystyrene raw materials used in production rose sharply due to an imbalance in demand and supply originating outside Europe. Despite a temporary easing of the phenomenon in the third quarter, the average polystyrene price in 2017 was 14.5% higher than the 2016 average price; this had an impact on the year's margins, since it was not possible, in the keenly competitive market, to transfer the increase even in part to sales prices.

The Group reported revenue of 207.1 million euro in 2017, from 207.3 million euro in 2016 (-0.2 million euro). The exchange-rate effect in the year had a negative impact estimated at approximately 0.2 million euro.

Group gross operating profit was 15.0 million euro, compared with 20.5 million euro in 2016. The reduction of 5.5 million euro was due to the significant impact of the cost of raw materials, particularly on the foamed products market in Italy and France.

Amortization and depreciation of 9.1 million euro was up 0.1 million euro from 9.0 million euro in the previous year; the increase arose from capital expenditure, notably at the Polish subsidiary.

The group posted an operating profit of 5.9 million euro, a reduction of 5.6 million euro from 11.5 million euro in 2016.

Net finance costs amounted to 2.9 million euro, compared with net costs of 3.2 million euro in 2016; the decrease reflected the optimization in use of lines of credit and a slightly more favorable trend in interest rates compared with 2016, on substantially similar average net debt.

Income tax expense, at 0.7 million euro, was down from 2.1 million euro in 2016, as a result of a general decrease in taxable income.

The group posted a consolidated profit of 2.3 million euro for the year ended December 31, 2017, against a profit of 6.2 million euro in 2016.

Consolidated net financial debt at December 31, 2017 was 67.2 million euro, a downturn of 2.1 million euro compared to 65.1 million euro at December 31, 2016. This was due in large part to capital expenditure at the Inline Poland Sp. z o.o. subsidiary, which in the closing months of 2017 completed a two-year project that substantially doubled its production site with the start-up of a new PET extrusion line.

During the year, the parent Sirap Gema S.p.A. distributed a dividend of 2.0 million euro to its sole shareholder, Italmobiliare S.p.A.

The net financial position includes, among assets, 15 million euro deposited as partial coverage of the fine imposed by the European Commission. The amount in question helps contain, to a modest extent, the overall finance costs, which are increased, in turn, by the costs of the bank guarantee relating to the deferred contingent liability due to the Commission.

Consolidated equity at December 31, 2017, was 16.1 million euro, compared with 15.3 million euro at December 31, 2016. The net increase of 0.8 million euro reflected the combined effect of the dividend of 2.0 million euro for the sole shareholder Italmobiliare S.p.A., the profit for the year of 2.3 million euro and an increase of 0.5 million euro in the translation and consolidation reserves.

Revenue and operating performance by geographical segment

(in millions of euro)	Revenue		Gross operating profit		Operating profit	
	2017	%change vs. 2016	2017	% change vs. 2016	2017	% change vs. 2016
Food packaging						
- Italy	94.2	*(0.6)*	6.5	*(29.4)*	1.2	*(68.4)*
- France	44.3	*(8.4)*	3.1	*(38.6)*	1.2	*(62.1)*
- Other EU countries	73.0	*6.5*	4.8	*(10.8)*	2.9	*(21.0)*
- Other non- EU countries	11.1	*(1.2)*	0.6	*(15.5)*	0.6	*(17.5)*
Eliminations	(15.5)	*(0.6)*	-	*n.s.*	-	*n.s.*
Total	**207.1**	***(0.1)***	**15.0**	***(26.6)***	**5.9**	***(48.8)***

n.s. not significant

Food packaging

In Italy and France, demand for the products of the food packaging segment in 2017 was notably weak, while consumption in Poland was in line with the previous periods. In Eastern Europe, where the Sirap group operates through the Petruzalek subsidiaries, demand did not show particular signs of recovery, and in some countries (such as Ukraine and Turkey, still subject to political and social instability), the revenue recovery was hindered not only by economic and consumer trends, but also by the depreciation of the local currencies.

Performance on the main markets is analyzed below.

- On the Italian market, turnover totaled 94.2 million euro, down by 0.5 million euro or 0.6% from 94.7 million euro in 2016. The parent Sirap Gema S.p.A. closed the year with overall revenue of 85.3 million euro, up from 83.8 million euro in 2016. Overall gross operating profit was 5.7 million euro, down 2.3 million euro from 2016 (8.0 million euro); the margin reduction arose mainly from the trend in raw material costs and prices, as described above. The subsidiary Rosa Plast Due S.r.l., acquired in 2016, reported revenue of 9.3 million euro in 2017, a slight increase from 8.9 million euro in the previous year. The company was affected by a squeeze on margins as a result of higher raw materials prices, and reported a gross operating profit of 0.4 million euro, from 0.9 million euro in 2016.

- On the French market, Sirap reported an 8.4% revenue decrease in 2017 (from 48.4 million euro to 44.3 million euro), largely due to the stagnation in consumption. Its gross operating profit fell from 5.1 million euro in 2016 to 3.1 million euro. Operating profit was 1.2 million euro, against 3.1 million euro in 2016.

- In Poland, thanks to its strong positioning on the domestic market, Inline Poland reported overall revenue of 33.7 million euro in 2017, against 30.6 million euro in 2016 (+10.1%); the 2017 figure reflected a positive exchange-rate effect estimated at 0.7 million euro. Gross operating profit and operating profit, at 2.7 and 1.3 million euro respectively, were both down from 2016 (3.4 and 2.2 million euro respectively), due to the impact of higher raw material prices and start-up expense for the new production facilities, estimated at approximately 0.4 million euro. Investments were completed during the year for a significant increase in production capacity as from 2018, enabling the company to take advantage of the opportunities on a growing market.

- The Petruzalek group reported turnover of 51.6 million euro, up from 50.2 million euro in 2016. Its operations, conducted mainly in Central Eastern Europe, saw the group consolidate its presence in more stable mature countries (Austria, the Czech Republic, Hungary and Slovakia), and also achieve positive results in countries with stronger political tensions such as Turkey and Ukraine. Gross operating profit and operating profit for the year, at 2.7 million euro and 2.2 million euro respectively, were in line with 2016.

Risks and uncertainties

Uncertainty remains high with regard to the price trend for polystyrene raw materials used in production processes, which fluctuates significantly. The group will continue to monitor prices in order to optimize its procurement policy and to reduce, as far as possible, the impact of these items on its performance.

The Sirap group operates through a number of subsidiaries in countries outside the Eurozone and is therefore exposed to the risk of fluctuation in the exchange rates of local currencies.

This risk is carefully monitored by the parent with a special internal procedure; in particular, where considered opportune, derivatives (interest-rate swaps) are used to hedge interest-rate and exchange-rate risk.

Another area of uncertainty is the collection of receivables, which is kept under careful and constant control by all group companies to minimize risk.

With regard to outstanding disputes, reference should be made to the section “Disputes and pending proceedings”.

Environmental initiatives

Since January 1, 2012, the Sirap group has had an Environmental Policy document providing visibility on its commitment and the action taken to safeguard the environment in the countries where it operates. Guidelines have been established and made known to personnel summarizing the group’s intention of complying with local regulations and applying the best ecological standards for sustainable and responsible development.

Safety initiatives

In its factories, the Sirap group adopts the necessary measures to ensure maximum safety for its workers and property. Development continued of the group safety culture project introduced in 2009, with the involvement of all senior managers: this involves extensive reporting on accidents and accident statistics, and also on potential risk situations and promotion of measures to mitigate accident risk.

Research and development

Projects to support the improvement of manufacturing performance in the plants of the Sirap group continued for the two main technologies of extrusion and thermoforming.

Human resources and organization

At December 31, 2017 the group workforce numbered 1,222 employees, up by 13 compared with December 31, 2016. The increase arose mainly from the recruitment of production personnel for the new extrusion line at Inline Poland Sp. z o.o.

Disputes and pending proceedings

With regard to the current proceeding with the European Commission (which began in 2008, for breaches of community competition laws on the plastic food packaging market), the reader is referred to the extensive information provided in previous reports since no developments took place in the year under review.

Outlook

Consumption on the group's key markets continues to show no appreciable signs of recovery and the price trend for raw materials is being constantly monitored. In this context, apart from contingent events concerning raw materials in recent months, attention to costs remains constant and positive margins are expected to be maintained.

In connection with the on-going strategic development plan and the valuations conducted during 2017, in January 2018, the acquisitions were completed of four new companies, of which three in the “Rigid” packaging segment.

On January 8, 2018, Vitembal Tarascon S.a.s. and Vitembal G.m.b.H. were purchased from the Vitembal group. The former is a rigid-container manufacturer located in France, where the group already operates through Sirap France S.a.s. and Sirap Remoulins S.a.s. The latter is a marketing company based in Germany, where the group had no permanent organization.

On January 15, 2018, Kama Europe Ltd., a company with a production facility in the United Kingdom, and Reynolds Food Packaging Spain S.L.U., which has a production unit in Spain, were acquired from the Reynolds group. Integration processes will be implemented over 2018 to achieve the fullest possible synergies.

Italgen group

The Italgen group produces and distributes electric energy from renewable sources on the domestic and international markets. In Italy it has a production organization consisting of 17 hydroelectric plants in Lombardy, Piedmont and Veneto, and around 300 km of proprietary transmission lines. It also has two non-controlling interests, one in Bulgaria (49% of two 18 MW wind farms) and one in Italy (30% of a 6 MW solar farm).

In 2017, electric power demand in Italy rose by 2% from 2016: imports were stable at 11% of demand, while exports returned to standard values after the sharp increase between the end of 2016 and early 2017.

Italian hydroelectric power production decreased by 14.3% from 2016, mainly because 2017 was the driest in 200 years and because reservoir levels were already close to record lows at the beginning of the year.

(in millions of euro)	2017	2016	% change
Revenue and income	**37.8**	**49.0**	***(22.9)***
Gross operating profit	**6.2**	**7.0**	***(10.9)***
% of revenue	*16.4*	*14.2*	
Amortization and depreciation	(3.5)	(3.4)	*(3.3)*
Operating profit	**2.7**	**3.6**	***(25.3)***
% of revenue	*7.1*	*7.3*	
Net finance costs	(1.1)	(2.0)	*46.8*
Share of profit (loss) of equity-accounted investees	0.4	-	*n.s.*
Profit before tax	**2.1**	**1.6**	***30.4***
% of revenue	*5.4*	*3.2*	
Income tax expense	(0.8)	(1.3)	*38.2*
Profit for the year	**1.3**	**0.3**	***n.s.***
Capital expenditure	2.5	6.4	

n.s. not significant

	December 31, 2017	December 31, 2016
Total equity	25.4	31.1
Net financial debt	(17.9)	(17.0)
Number of employees at year end	95	96

In 2017, the average Single National Price for electricity recorded by the Borsa Elettrica electric energy exchange was 26.2% up on the previous year, reversing the negative price trend that began in 2012.

Italgen group revenue in 2017 decreased by 22.9% owing to a negative volume effect and the change in the customer mix in the sales portfolio (from end users to wholesalers), which permitted a significant reduction in expense for vectoring services, where margins are nil.

Gross operating profit of 6.2 million euro was down 0.8 million euro from 2016, due not only to the fall in hydroelectric power production, but also to the decrease in the production and sale of green certificates.

After amortization and depreciation of 3.5 million euro, operating profit was 2.7 million euro (3.6 million euro in 2016).

Net finance costs were 1.1 million euro (2.0 million euro in 2016), largely reflecting translation losses of 0.3 million euro and the impairment loss of 0.3 million euro on the equity investment in Try Alpha Energy.

The profit for the year of 1.3 million euro (0.3 million euro in 2016) was net of tax of 0.8 million euro.

The year's capital expenditure amounted to approximately 2.5 million euro, including 2.0 million euro for capitalized ordinary maintenance work on the industrial facilities in Italy.

Italgen group net financial debt was 17.9 million euro, a worsening of 0.9 million euro from the end of 2016. Dividends paid to the parent Italmobiliare S.p.A. amounted to 6.0 million euro.

During 2017, the Italgen group continued work on the projects launched in previous years and coordinated management of plants in operation. A brief description of initiatives in the various countries is provided below.

Italy

Hydroelectric power production in the year from the 17 largely run-of-the-river plants (57 MW) was approximately 254.4 GWh (-10.9% on 2016, which was 285.4 GWh). The average availability rate and plant use rate were 99% and 81% respectively. Revamping work continued on Italgen's power stations, under a long-term maintenance plan for the preservation of the facilities.

On January 12, 2018, the Lombardy Regional Authority approved the continuation of temporary operation of the Vaprio d'Adda, Mazzunno and Mezzoldo power plants, whose concessions had expired.

The 6 MW photovoltaic plant in Guiglia (Modena) owned by the associate i.Fotoguiglia S.r.l. (Italgen quota 30%), reported total production for the year of 8.7 GWh, up 5% from 2016 (8.3 GWh), with a current ratio of around 99%.

Bulgaria

The Kavarna wind farm (18 MW) owned by the associate Gardawind S.r.l. (Italgen share 49%), reported production of 45.7 GWh, up 5% from 2016 (43.7 GWh), with a current ratio for the year of more than 98%.

Egypt

Permitting operations on the wind farm project continued with a view to future enhancement and, in particular, attainment of the power purchase agreement, a vital document to obtain project financing and approval to raise the height of the towers from 100 to 120 m, thus enabling greater turbine efficiency.

Sustainable development and environmental policies

The sustainable development and environmental policy initiatives of the Italgen group confirm its commitment to protect the environment through harmonious integration of its facilities with the territory and develop innovative technologies to save natural resources and use renewable energy sources.

The parent Italgen S.p.A., which produces and distributes hydroelectric power, has implemented an integrated quality, environmental and safety management system with ISO 9000 and 14000 certification since 2008 and EMAS registration since 2011. Also, since 2009 it has published an annual environmental statement presenting the results of its hydroelectric plants after the introduction of management systems geared to continuous improvement of its environmental performance.

Research and development

Development work continued on the projects of the international subsidiaries during 2017.

Human resources and safety initiatives

At December 31, 2017 the Italgen group had 95 employees, a decrease of one from 2016 (96).

In 2017 work continued for the on-going improvement of prevention and worker protection, consisting mainly of the updating of risk assessment and safety procedures, personnel training, health surveillance and continuous regulatory updating.

Risks and uncertainties

Since the Italgen group operates on regulated markets or under regulated regimes, changes in the rules governing such markets and regimes, and the related prescriptions and obligations, can impact its business performance and results. Among key issues subject to regulatory changes are the laws governing the duration and conditions of major channel hydroelectric concessions, power plants with an annual average nominal power of more than 3,000 kW, which provide that, in general, concessions due to expire be put out for tender. The power plants owned by the group whose concessions have expired and are therefore subject to the regulatory change are Vaprio, Mazzunno and Mezzoldo, for total installed power of 33 MW on a total of 56MW. Temporary operation of these plants has been extended until December 31, 2020.

With regard to exchange-rate risk, the Italgen group operates in some emerging countries (Egypt and Morocco) through subsidiaries, some of which have financial assets and liabilities denominated in currencies other than the local currency. Adverse political or economic developments in those regions could have a negative impact on the company's prospects and operations, and on its results of operations and financial position.

In terms of sources of financing, Italgen S.p.A. has medium-term floating-rate loans indexed to 3- and 6-month Euribor with financial counterparties. Consequently, the company is exposed to the risk of a possible increase in interest rates. One of the loans granted to Italgen S.p.A. includes covenants that require compliance with financial indicators determined on an annual basis. The reference financial indicator is leverage (gross financial debt net of cash and cash equivalents / gross operating profit), with a top limit of 4.5.

Italgen S.p.A. is exposed to a limited credit risk since customers are vetted for creditworthiness, both as a preliminary measure and during the life of the credit. The other group subsidiaries are not exposed to credit risks.

With regard to the contingent liability risk, at December 31, 2017 Italgen S.p.A. had tax disputes for amounts totaling approximately 2 million euro.

Outlook

2017 was heavily affected by the low rainfall in the year; the Italgen group expects a significant improvement in margins in 2018, assuming rainfall in line with the ten-year historic average, all plants in service during the year and attainment of the green certificates due for production at the recently revamped plants.

BravoSolution group

The BravoSolution group was sold during 2017. The most recent approved figures available when the financial statements as at and for the year ended December 31, 2017 were prepared referred to October 31, 2017.

This report therefore examines the results of operations for the ten months to October 31, 2017, comparing them with the corresponding values for the ten months to October 31, 2016.

(in millions of euro)	October 31, 2017	October 31, 2016	% change	Full year 2016
Revenue and income	**70.6**	**63.0**	***11.9***	**84.9**
Gross operating profit (loss)	**2.9**	**(1.2)**	***n.s.***	**6.3**
% of revenue	*4.1*	*1.9*		*7.4*
Amortization and depreciation	(5.8)	(6.0)	*3.3*	(7.2)
Operating loss	**(2.9)**	**(7.2)**	***59.7***	**(0.9)**
% of revenue	*4.1*	*11.4*		*1.0*
Net finance costs	(1.6)	0.0	*n.s.*	(0.6)
Loss before tax	**(4.5)**	**(7.2)**	***37.5***	**(1.5)**
% of revenue	*6.4*	*11.4*		*1.8*
Income tax (expense)	(0.9)	0.3	*n.s.*	(0.4)
Loss for the year	**(5.4)**	**(6.9)**	***21.7***	**(1.9)**
Capital expenditure	6.9	7.0		*9.1*

n.s. not significant.

	October 31, 2017	December 31, 2016
Total equity	22.3	30.7
Net financial debt	(13.5)	(13.2)
Number of employees at year end	659	658

The BravoSolution group is active in web-based supply management solutions, with particular reference to e-sourcing, e-procurement, spend analysis and procure to pay systems.

During the year, the BravoSolution group confirmed its excellent commercial positioning in the field of customized software platforms and high value-added professional services.

At the end of October 2017, it had a total of approximately 600 licenses, while the number of procurement professionals using BravoSolution platforms for the purchase of goods and services and spend analysis numbered more than 160,000; approximately 1,300,000 supplier companies were involved in the negotiations conducted with BravoSolution software. The group has a base of approximately 700 customers, in 40 countries worldwide.

The consolidated results for the ten months to October 31, 2017, reflect significant business growth for the BravoSolution group compared with the year-earlier period (+11.9%), although national and international economic growth still continues to be partially affected by the consequences of the financial and industrial stagnation that began in 2008 on an unprecedented scale in the second postwar period, and in recent years has caused downturns in sales and business results also among companies active in the same sector as the BravoSolution group.

Turnover rose notably at the subsidiaries in Australia, Germany, Finland, Netherlands, USA and Italy, while continued delays in the start-up of important contracts with customers in the United Arab Emirates prevented higher revenue growth.

Revenue at the UK subsidiary expressed in euro was still partially penalized by the worsening exchange rate of the pound with the euro in the wake of Brexit.

Technology revenue, whose growth is the focus of group development, rose strongly by 16.6% from 2016, and now accounts for 66.1% of total revenue (63.8% in 2016).

Turning to business results for the ten months to October 31, gross operating profit made important progress to 2.9 million euro (a loss of 1.2 million euro in 2016), while the group reported an operating loss of 2.9 million euro (operating loss of 7.2 million euro in 2016).

After finance costs of 1.6 million euro (0.6 million euro in 2016) and income tax expense of 0.9 million euro, the group posted a loss for the ten months to October 31, 2017 of 5.4 million euro (a loss of 6.9 million euro in 2016).

Net financial debt at October 31, 2017, was 13.5 million euro, substantially in line with the amount at the beginning of the year (a negative change of approximately 0.3 million euro), reflecting business performance in the period and capital expenditure, with specific reference to software development work on its technology platform.

Research and development

In 2017, the BravoSolution group did not undertake research activities.

The BravoSolution group develops its software with both internal and external resources. Over time, the division between the use of in-house staff and external resources has largely changed in favor of the former, with a key turning-point in 2008 following the direct recruitment of staff dedicated to software development in Italy and the acquisition of the American company Verticalnet, which already had an adequately structured in-house function. The human resources dedicated to the development of software are therefore now mainly resident in the United States (in the offices in Vestal, N.Y.) and in Italy (offices in Milan).

Human resources

At October 31, 2017 the BravoSolution group had 659 employees, an increase of one from the end of 2016.

Risks and uncertainties

The group prepares annual budgets and long-term business plans, periodically checks its business and financial performance in order to reduce and control the risks and uncertainties to which it is exposed in the conduct of its operations; such risks and uncertainties derive from increases in operating expense, unexpected falls in revenue or the excessive growth of working capital with a consequent reduction in available funds.

In order to improve the timing and quality of its management data and reporting, during 2016 BravoSolution began the roll-out of a new IT management system, which was largely completed in 2017.

Since its proprietary software platform (BravoAdvantage) is its core business, the group dedicates appropriate resources and makes the necessary investments to develop and improve the platform, being particularly careful to reduce IT risks, with specific reference to hacking risk.

Market risk

a) Interest-rate risk

The BravoSolution group has a normal interest-rate risk profile.

Its financial assets consist largely of demand or time bank deposits, regulated at floating market rates.

The main financial liabilities, which are of a physiological size in the context of the group's financial structure, consist mainly of short- and long-term loans stipulated by the parent BravoSolution S.p.A. and a short-term line of credit at BravoSolution US, Inc. These loans are regulated at floating market rates: therefore the company is exposed to the risk of a possible increase in interest rates.

b) Exchange-rate risk

The BravoSolution group is not exposed to significant currency risks.

The consolidated financial statements and the parent's separate financial statements are presented in euro, as are those of other important companies in the group. Various group companies conduct their business and report in currencies other than the euro (mainly US dollars or currencies tied to the dollar and British pound).

The financial assets and liabilities of the group companies are for the most part denominated in euro or in the local currencies in which the companies operate, and are therefore substantially not exposed to exchange-rate risk.

The trade assets and liabilities of the group companies are almost exclusively expressed in local currency and consequently are substantially not exposed to the exchange-rate risk, also because they mutually balance out; assets and liabilities not expressed in local currency are mostly expressed in euro and are therefore not exposed to the exchange-rate risk at consolidated level.

Credit risk

In compliance with group procedures customers are preliminarily vetted for creditworthiness. Credit is monitored constantly, and appropriate reminders and credit recovery actions are taken for overdue payments.

Concentrations of trade credit risks are limited by virtue of the group’s broadly based and largely uncorrelated customer portfolio, over different geographical regions and consisting of both private-sector companies and public-sector agencies and entities.

Given the economic downturn of recent years and the consequential extension of terms of payment, particularly in some geographical areas and some customer sectors, the group has taken action to improve credit management and reduce collection times, achieving important results in the last three years. Allowances for impairment are quantified in relation to uncollectible and doubtful receivables and provided for mainly with regard to the most overdue amounts.

Liquidity risk

At the end of the period under review, group net financial debt referred largely to the parent BravoSolution S.p.A., as well as to a short-term facility at a subsidiary (BravoSolution US Inc.). The group also has its own liquid funds which, together with the existing lines of credit, enable it to ensure its ongoing operations.

Tecnica Group

In November 2017 the acquisition was completed of 40% of Tecnica Group, the worldwide leader in outdoor footwear and skiing equipment. The company has been consolidated with the equity method.

The 2017 pre-closure figures received from the associate Tecnica Group confirm the healthy results of the marketing strategy and the new brand-based organizational structure.

These initiatives had a positive impact on group revenue, enabling the profit targets set at the time of the 2017 Plan and Budget to be reached.

Specifically, the group closed with significant growth of approximately 10% in sales revenue, from 334 million euro in 2016 (pro-forma figure not including the Dolomite brand which was sold to third parties).

Growth was supported chiefly by the Nordica brand (+17%), the Tecnica/Blizzard brand (+14%) and the Tecnica Soft brand (Tecnica Outdoor and Moon Boot, +10%), with a notable performance improvement for the Moon Boot brand (+30%).

Conversely, the Rollerblade brand reported a 5% reduction in turnover from 2016, largely due to the depreciation of the euro/dollar exchange rate.

The group gross operating profit was in line with the 2017 Budget and Plan targets, with strong growth from 2016.

There was a clear improvement in the net financial position from 2016. This was largely due to the entry of Italmobiliare S.p.A. and the re-financing, which involved a share capital increase, but also to the cash flow generated by stronger margins.

Financial and Private equity segment

The Financial and Private equity segment comprises the parent Italmobiliare S.p.A., the subsidiary Franco Tosi S.r.l. and Clessidra SGR S.p.A., the main private equity fund manager exclusively dedicated to the Italian market.

Business and financial performance

(in millions of euro)	2017	2016	% change
Revenue and income	**170.0**	**872.2**	***(80.5)***
Gross operating profit	**103.5**	**791.3**	***(86.9)***
% of revenue	*60.9*	*90.7*	
Amortization and depreciation	(0.7)	(0.4)	*(58.0)*
Operating profit	**102.8**	**790.9**	***(87.0)***
% of revenue	*60.5*	*90.7*	
Net finance costs	(1.2)	(0.1)	*n.s.*
Impairment losses on financial assets	-	(27.2)	*n.s.*
Share of profit (loss) of equity-accounted investees	-	(0.5)	*n.s.*
Profit before tax	**101.6**	**763.1**	***(86.7)***
% of revenue	*59.7*	*87.5*	
Income tax expense	(3.9)	(14.6)	*73.0*
Profit for the year	**97.7**	**748.5**	***(86.9)***

n.s. not significant

(in millions of euro)	December 31, 2017	December 31, 2016
Equity	1,414.5	1,381.2
Net financial position of Financial and Private equity segment*	572.2	581.4
Number of employees at year end	63	67

* Italmobiliare S.p.A., Franco Tosi S.r.l. and Clessidra SGR S.p.A.

The results of the Financial and Private equity segment were positively affected by events in 2017, specifically the sale of the equity investment in BravoSolution S.p.A. to the US group Jaggaer on December 28, 2017, which generated a net gain of 72.0 million euro (the previous year benefited from the sale of the equity investment in Italcementi to the German group HeidelbergCement AG, which generated a net gain of 754.5 million euro).

Details are provided in the next section “Results in accordance with the financial model”.

Results and significant events in the year

In May, implementing the shareholder resolution carried at the extraordinary general meeting of April 19, 2017, the Italmobiliare S.p.A. ordinary stock split was executed, at a rate to two new Italmobiliare S.p.A. ordinary shares for each ordinary share.

The stock split is a way to facilitate the circulation of shares, boosting trading volumes among investors and generating a potential increase in share liquidity.

As a result of the split, Italmobiliare share capital of 100,166,937 euro is represented by 47,633,800 no par ordinary shares.

On June 9, 2017, the acceptance period closed for the voluntary partial public tender offer promoted on April 19, 2017 on up to 4,000,000 Italmobiliare S.p.A. ordinary shares.

A total of 6,385,805 shares were tendered, equivalent to approximately 159.645% of the shares constituting the object of the offer and to approximately 13.41% of Italmobiliare share capital.

After application of the allotment coefficient and relevant roundings, at the payment date Italmobiliare purchased 3,999,832 shares, equal to approximately 62.636% of the shares tendered to the offer and to approximately 8.397% of the share capital, for a total consideration of 99,995,800 euro.

Consequently, at December 31, 2017, Italmobiliare S.p.A. held 5,690,870 treasury shares representing approximately 11.95% of the share capital.

On September 26, 2017, the Italmobiliare S.p.A. Board of Directors approved the proposal for the upstream merger of Franco Tosi S.r.l., a wholly owned financial company, into the parent Italmobiliare S.p.A., and the related merger project.

The purpose of the merger is to simplify the organizational structure of the Italmobiliare S.p.A. group in order to improve administrative and management efficiency.

Specifically, the merger makes it possible to optimize decision-making processes and improve the use and deployment of the resources and skills in the companies involved in the transaction.

The merger has been executed in accordance with the simplified procedure set out in article 2505 of the Italian Civil Code.

Pursuant to article 2504-bis 2, of the Italian Civil Code, the merger, executed on February 26, 2018, took effect from the date of the final registration of the merger deed at the Milan Companies Register, on February 27, 2018. For accounting and tax purposes, it is effective retroactively from January 1, 2018.

At the same meeting, the Board of Directors also decided not to exercise its right of withdrawal, within the stipulated term, from the Mediobanca Shareholders'agreement, which therefore continues to hold 8,673,728 Mediobanca shares, representing 0.98% of the share capital.

In November, the Zanatta family and Italmobiliare S.p.A. finalized an agreement for the holding to become a shareholder of Tecnica Group, the world leader in outdoor footwear and ski equipment. The transaction, which involved a share capital increase and bonds for Tecnica and the parent Prime Holding for a total financial commitment of approximately 60 million euro, gave Italmobiliare S.p.A. a 40% equity investment in the Tecnica group. This was a particularly complex transaction, as the entry of Italmobiliare S.p.A. made it possible to implement a total restructuring of the Tecnica Group's financial facilities and further strengthen its growth.

On December 28, 2017, Italmobiliare S.p.A. and Accel-KKR (a technology-focused US private equity firm) finalized an agreement to create a best-in-class eProcurement group through the merger of their respective subsidiaries BravoSolution and Jaggaer.

Specifically, Jaggaer acquired 82.74% of the BravoSolution group from Italmobiliare S.p.A. on the basis of an enterprise value of approximately 184 million euro, while Italmobiliare S.p.A. invested approximately 35 million euro in the new entity, for an equity investment of approximately 9.5%. The new group operates in a fast-growing sector and will guarantee a full range of services on American, European and some Asian markets by combining BravoSolution's eSourcing business with Jaggaer's Procure-to-Pay operations.

Results in accordance with the financial model

Given the specific nature of the financial segment, to permit full understanding of performance, the table below sets out the results of the segment in the format normally used for financial companies. This reflects:

- “Net gains (losses) on equity investments” which includes, with regard to available-for-sale investments, dividends received, gains/losses realized on sales of equity investments, and impairment losses on these financial assets;
- “Net gains (losses) on investments of cash and cash equivalents”, which includes interest income on bank coupons and deposits, impairment losses on securities and trading equities, capital gains/losses on the sale of trading securities, gains (losses) on trading derivatives;
- “Net borrowing costs” which consists essentially of interest expense on financing, bank commissions and costs;
- “Other income and expense”, which includes personnel expense and operating expenses for the financial structure, net of amounts recovered from other Group companies and movements on provisions for risks.

(in millions of euro)	2017	2016	% change
Net gains on equity investments	121.5	806.1	*(84.9)*
Net gains (losses) on investments of cash and cash equivalents	3.1	(0.9)	*n.s.*
Net borrowing costs	(0.4)	(0.8)	*50.0*
Total finance income/costs	**124.2**	**804.4**	***(84.6)***
Other expense	(22.6)	(41.3)	*45.3*
Income tax (expense)	(3.9)	(14.6)	*73.3*
Profit for the year	**97.7**	**748.5**	***(86.9)***

n.s. not significant

The financial and business context in which the Group financial companies operated and the non-recurring transactions detailed in the previous section realized net gains on equity investments of 121.5 million euro (806.1 million euro in 2016). The main components were as follows:

- the net gain of 72.0 million euro realized on the sale of the equity investment in BravoSolution to the US group Jaggaer on December 28, 2017;
- gains of 26.8 million euro realized on the sale of available-for-sale equity investments (mainly HeidelbergCement AG and Mediobanca S.p.A. shares);
- dividends of 22.8 million euro, up by 15.9 million euro from 2016, largely as a result of the dividend paid by HeidelbergCement AG (9.2 million euro).

Net gains on investments of cash and cash equivalents for 3.1 million euro (net losses of 0.9 million euro in 2016) were largely attributable to interest income, exchange-rate differences and derivatives totaling 7.3 million euro, as well as to gains on the sale of trading securities for 5.4 million euro, offset in part by impairment losses of 9.7 million euro on trading securities.

Net borrowing costs were down 50.0% to 0.4 million euro (0.8 million euro in 2016), thanks to the reduction in debt.

Other expense net of other income amounted to 22.6 million euro (41.3 million euro in 2016), a decrease of 18.7 million euro arising largely in relation to the non-recurring costs relating to the sale of Italcementi S.p.A. recognized in 2016.

The segment posted a profit for 2017 of 97.7 million euro (748.5 million euro in 2016), after income tax expense of 3.9 million euro (14.6 million euro in 2016).

The companies in the financial segment hold substantial equity investments, the majority classified as “Available for sale”. The fair value changes on these investments are recognized in equity under the “Fair value reserve”, or in the income statement if the correlated financial assets have been impaired, in line with the accounting standards adopted by the Italmobiliare Group. At the end of 2017 the consolidated balance on this reserve in the financial and private equity segment was positive at 165.8 million euro (+107.0 million euro at December 31, 2016), an improvement of 58.8 million euro from the end of December 2016, essentially due to the positive performance of private equity funds and cashes and to the reduction in deferred tax after the entry of HeidelbergCement AG equities into the PEX regime.

Franco Tosi S.r.l.

(in millions of euro)	2017	2016	% change
Net gains on equity investments	0.6	-	*n.s.*
Net gains (losses) on investments of cash and cash equivalents	(4.0)	4.2	*n.s.*
Net borrowing costs	(0.2)	(0.3)	*33.3*
Total finance income/costs	**(3.6)**	**3.9**	***n.s.***
Other expense	(1.0)	(4.4)	*77.3*
Income tax expense	(0.8)	(1.0)	*20.0*
Loss for the year	**(5.4)**	**(1.5)**	***n.s.***

n.s. not significant

(in millions of euro)	December 31, 2017	December 31, 2016
Equity	286.8	292.0
Net financial position	241.3	249.0

Investments of cash and cash equivalents were adversely affected by net impairment losses of 9.0 million euro on trading securities, offset in part by net gains realized on the sale of trading securities (4.2 million euro) and interest income, exchange-rate differences and derivatives (0.8 million euro). During the year, Franco Tosi S.r.l. transferred part of its securities portfolio and cash and cash equivalents (for a total of approximately 178 million euro) to an investment fund with a conservative risk profile, consistently with the Italmobiliare Group’s investment policies. Further information about this investment is provided in the Notes.

Operating expense amounted to 1.0 million euro (4.4 million euro in 2016). The decrease arose largely in relation to the non-recurring provision for risks made in 2016 following the sale of an equity investment.

After income tax expense of 0.8 million euro, the company posted a loss for the year of 5.4 million euro (loss of 1.5 million euro for 2016).

Besides managing a trading portfolio, Franco Tosi S.r.l. holds the foreign equity investments of the financial segment: Crédit Mobilier de Monaco S.A., Société d’Etudes de Participations et de Courtage S.A., both based in the Principality of Monaco, and Finimage 15 Sagl (Switzerland). The other main equity investments are Vontobel Holding AG for 6.1 million euro and BDT Capital Partners Fund II private equity funds for 28.4 million euro.

Among non-current assets, besides the aforementioned financial assets, a held-for-sale commercial property located in Chiasso is carried at a total amount of 6.5 million euro. Its management is entrusted to a local specialist agency. The majority of individual units in the property were leased in 2017 and the related considerations were aligned with market prices at the time of signature of the respective contracts. The property was sold in early 2018.

Clessidra SGR S.p.A.

Clessidra SGR (*Società di Gestione del Risparmio)*, an asset management company authorized and regulated by the Bank of Italy, is the main private equity fund manager dedicated exclusively to the Italian market.

2017 was characterized by the management operations of the Clessidra Capital Partners II and Clessidra Capital Partners 3 funds, and by preparations for the liquidation of the Clessidra Capital Partners fund. A brief analysis of the managed funds is provide below:

- **Clessidra Capital Partner 3 (CCP3)**: in 2017 the SGR completed an important divestment transaction with the sale of ABM Italia S.p.A., and continued selection of new investment opportunities and the management of the two companies in portfolio, Roberto Cavalli S.p.A. and Nexi S.p.A. (formerly ICBPI S.p.A.). At December 31, 2017 the total amount called-up by the fund was 340.5 million euro. At December 31, 2017 it reported income for 239.9 million euro, with gross IRR of approximately 32.5% (a net IRR of 25.9 %). The fund subscription period closed on November 30, 2016, with a subscribed amount of 607.3 million euro. The parent Italmobiliare S.p.A. has also invested in this fund, with an overall financial commitment of 92.1 million euro, of which 50.8 million euro paid at December 31, 2017;
- **Clessidra Capital Partner II (CCPII)**: in 2017, besides managing of the companies in portfolio, the fund completed four important divestments with the sale of Euticals S.p.A., Buccellati Holding Italia S.p.A., Bitolea S.p.A. and Acetum S.p.A. In 2017 it reported income of 1,576.5 million euro, with gross IRR of approximately 27.7% (a net IRR of 19.3%):
- **Clessidra Capital Partner (CCP)**: 2017 was largely a year of preparations for the liquidation of fund. At December 15, 2017, the date on which the fund was liquidated, the total called-up and paid amount was 807.7 million euro, representing 98.5% of the subscribed amount. At the liquidation date, the fund realized and distributed income totaling 930.8 million euro (before tax) with a net IRR of 66.7%.

Details of the main income statement captions for 2017 at Clessidra SGR are set out below:

(in millions of euro)	December 31, 2017	2016 (Q4)	% change
Commission income	**15.3**	**7.2**	**n.s.**
Total income	**16.1**	**6.7**	**n.s.**
Administrative expense	(15.6)	(4.7)	n.s.
Other operating income	3.0	0.2	n.s.
Operating profit	**3.6**	**2.2**	**63.6**
Income tax expense	(1.2)	(0.8)	(50.0)
Profit for the year	**2.4**	**1.4**	**71.4**

Total income of 16.1 million euro arose essentially from management commissions on the Clessidra funds for 15.3 million euro and net operating income of approximately 0.9 million euro on management of financial assets.

The year’s administrative expense amounted to 15.6 million euro and comprised personnel expense of 9.9 million euro, and consultancy and management expense of 5.7 million euro.

After net other operating income of 3 million euro and income tax expense of 1.2 million euro, the year closed with a profit of 2.4 million euro.

During 2018 Clessidra SGR will continue management of the equity investments in the managed funds portfolio. Specifically with regard to the CCPII fund, management activities will be flanked by the search for and finalization of divestment opportunities for the last company left in the portfolio. The CCP3 fund will continue investment activities.

* * *

Operations and performance at the parent **Italmobiliare S.p.A.** are described in the specific section in the directors' report and in the notes to the separate financial statements.

Net financial position of Italmobiliare and the Financial and Private equity segment

The table below shows the main changes in the net financial position of Italmobiliare S.p.A. and the Financial and Private equity segment.

(in millions of euro)	December 31, 2017		December 31, 2016	
	Italmobiliare	Financial and Private equity segment	Italmobiliare	Financial and Private equity segment
Current financial assets	283.2	548.1	310.1	569.4
Current financial liabilities	(11.9)	(12.6)	(11.0)	(11.9)
Current net financial position	**271.3**	**535.5**	**299.1**	**557.5**
Non-current financial assets	36.6	36.6	25.0	31.0
Non-current financial liabilities	0.0	0.0	(7.1)	(7.1)
Non-current net financial position	**36.6**	**36.6**	**17.9**	**23.9**
Net financial position	**307.9**	**572.1**	**317.0**	**581.4**

Risks and uncertainties

The main risks of the financial segment are described below.

Risks relating to general economic conditions

A context of economic reflation, the gradual normalization of monetary policies and pro-cyclical fiscal policy (notably the recent tax reforms in the USA) imply a potential upturn in bond yields, which are still significantly below nominal GDP growth rates, and increased volatility in exchange rates. The greater than expected rise in inflation and the upswing in bond yields could also compress the valuation multiples from their levels above historic averages. All this suggests greater volatility and corrections on the financial markets, which could have an impact on the real economy.

The 2018 economic and financial scenario continues to present high risks stemming from political events and decisions: from the Eurozone, where a number of events are falling due (notably the elections in Italy), the discussions on the NAFTA agreement, and tensions in the Middle East. Another source of economic and financial instability is the international macro-economic fragility generated by a total debt stock (public and private) equivalent to 232% of world GDP, a record high.

Risks for holding operations

Directly and through its subsidiaries, Italmobiliare S.p.A. carries out investment activities involving risks arising from the difficulty of identifying new investment opportunities that respond to its objectives, or difficulty in divesting, especially in non-listed companies. The risks connected to effective management of these activities could have negative effects on the companies' financial positions and results of operations.

Italmobiliare S.p.A. also holds investments in listed securities. Exposure to this type of investment is part of its core business as a long-term investor, and consequently Italmobiliare bases management of its equity portfolio on long-term approaches. Risk is monitored constantly; nevertheless, an adverse change in the share prices of its equity investments could affect its financial position and results of operations.

The results of the financial segment also depend on:

- the creation and realization of gains and losses on equity investments, which characteristically are not of a periodical and/or recurring nature;
- collection of dividends from non-controlling equity investments, whose distribution and payment policies are independent of the shareholder.

Consequently, the segment's business performance may not follow a linear and/or significantly comparable trend from one year to the next.

Italmobiliare S.p.A. is present in the industrial and services for industry segment, the financial and private equity segment and the other activities segment. It is therefore exposed to the typical risks on the markets and in the segments in which its investees operate.

Financing risks

Access to the capital market and to other forms of financing, and related costs, depends on companies' creditworthiness and on the general economic conditions of the market and the credit system. Any downgrade in creditworthiness and/or a general credit squeeze can restrict access and raise the cost of borrowing, with negative repercussions on the companies' financial positions and results of operations.

The liquidity of the equity and bond portfolio may be influenced by contingent market situations that reduce market variety and efficiency. The group concentrates on maintaining a high level of liquidity in its portfolio by diversifying investments, using financial instruments with systematic pricing, daily evaluation of resources using prudential approaches, and selection of counterparties on the basis of creditworthiness and reliability. The volatility of the markets and, in particular, contractions in the variety of trading in the presence of systemic events mean, however, that there is no guarantee that divestment strategies can be executed as and when planned.

Risks of fluctuation in interest and exchange rates

A significant portion of cash is invested in bonds: although the interest-rate risk is contained by low average duration, a rise in interest rates could have a negative impact on the value of the bond portfolio.

There is limited exposure to the currency risk. Although exposure constitutes a factor of diversification of the overall risk, hedging transactions are arranged as market opportunities arise. Despite possible hedges, sudden fluctuations in exchange rates could have a negative impact on the segment's financial position and results of operations.

Legal and tax risks

Suitable provisions have been recognized with regard to existing legal and tax risks and their related economic effects. Estimates and re-measurements are based on available information and are in any case regularly reviewed, with immediate recognition of any effects in the financial statements. Nonetheless, it is not possible to exclude future negative impacts connected with these risks on the financial positions and results of operations of Italmobiliare S.p.A. and/or of its subsidiaries and associates.

Insurance

Italmobiliare S.p.A. has taken out policies with leading insurance providers to cover the main risks to people and property, as well as general third-party liability cover.

Environment and human resources

Given the nature of the companies the financial segment, no significant environmental problems exist.

At December 31, 2017 the segment had 63 employees, down 4 from the end of 2016. The reduction arose at Clessidra SGR S.p.A. (-3 employees) and Italmobiliare S.p.A. (-1 employee).

Outlook

Based on forward-looking macro-economic indicators, the global economic expansion should continue through the first half of 2019. A context of economic reflation and the gradual normalization of monetary policies imply a potential upturn in bond yields, which are still significantly below nominal GDP growth rates.

The basic macro scenario supports the stock markets, although greater volatility and corrections are to be expected. The maturity phase of the expansionary economic cycle tends to expose profit growth rates to the risk of lower-than-expected earnings, while the rise in inflation, though moderate, and upswing in bond yields could compress valuation multiples currently above historic averages.

The risks present in 2018 also depend on political decisions (from the Eurozone to the discussions on NAFTA) and the international macro-economic fragility arising from a total debt stock (public and private) at 232% of world GDP, an all-time high.

Other activities

This segment comprises a number of real estate companies, services companies operating largely within the Group and a bank based in the Principality of Monaco. The segment is of marginal importance within the Italmobiliare Group.

At December 31, 2017 segment revenue totaled 3.4 million euro, unchanged from 2016, and consisted largely of income at Crédit Mobiliere de Monaco and gains realized by the real estate sub-segment.

The segment posted gross operating profit of 1.0 million euro (a loss of 0.4 million euro in 2016).

Amortization and depreciation of 0.2 million euro and a positive income tax posting of 154 thousand euro generated a loss for the year of 1.1 million euro (a loss of 643 thousand euro in 2016). The main contributor to the segment’s results of operations was Crédit Mobilier de Monaco.

Main risks and uncertainties

As noted above, the segment is of marginal importance within the Italmobiliare Group as a whole; nevertheless, it comprises different types of company, each of which is exposed to specific risks and uncertainty:

- the services companies provide general, IT, surveillance and security services essentially within the Italmobiliare Group, charging the companies they serve on the basis of existing contracts. Consequently they are not exposed to significant risks;
- the real estate companies hold land, buildings and small stakes in non-listed companies. They are exposed to trends on the related markets, which could have an impact on their asset values;
- Crédit Mobilier de Monaco is a bank in the Principality of Monaco whose main activity is guarantee-backed loans. It is not exposed to specific risks with respect to customers, suppliers and competitors, and its business does not present particularly critical elements. The guarantees are adequate with respect to the loans provided. Overall, no material problems exist with regard to regulations and procedures applied in the operations of Crédit Mobilier de Monaco.

Information on personnel and the environment

Personnel are adequate for the needs of the companies in the segment. No material environmental issues exist. At December 31, 2017 the segment had 37 employees, unchanged from the end of 2016.

Outlook

The Monaco bank's 2018 results will depend on the quantity and quality of the guarantee-backed loans it will provide to customers, while continuing uncertainty on the real estate market will affect the margins of the real estate sub-segment. The services sub-segment will continue its operations within the group, paying special attention to cost containment. These trends will influence performance and make it impossible to provide reliable forecasts about the full-year results.

Human resources

The Italmobiliare Group had 1,417 employees at December 31, 2017, a decrease of 650 from December 31, 2016. The reduction largely arose from the sale of the BravoSolution group.

The following table provides a breakdown of employees by operating segment.

(headcount)	December 31, 2017		December 31, 2016	
		%		%
Operating segment				
Industrial and services for industry segment	1,317	*92.9*	1,963	*95.0*
Financial and Private equity segment	63	*4.4*	67	*3.2*
Other activities	37	*2.6*	37	*1.8*
Total	**1,417**	***100.0***	**2,067**	***100.0***

Transactions with related parties

For the purposes of the consolidated financial statements, transactions with related parties were with:

- associates and their subsidiaries;
- other related parties.

All transactions with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions and in compliance with the Code of Conduct.

The figures at December 31, 2017 for transactions with related parties are provided in the notes.

No atypical or unusual transactions took place in 2017 as defined by Consob Communication no. DEM/6064293 of July 28, 2006.

Transactions with subsidiaries, associates and the subsidiaries of such companies

Transactions with subsidiaries, associates and non-consolidated subsidiaries of such companies are of a commercial (exchange of goods and/or services) or financial nature.

Executing a resolution carried by the Board of Directors on November 6, 2017, Italmobiliare S.p.A. granted a loan of 12 million euro to its subsidiary Sirap Gema S.p.A.

The loan is exempt from the obligations of CONSOB Regulation no. 17221 of March 12, 2010 as subsequently amended, since it is an “ordinary” transaction and was agreed at conditions “equivalent to market or standard conditions”. It was therefore completed using the exclusion envisaged by article 13.3.c.ii of the CONSOB regulation in question.

An upstream merger of Franco Tosi S.r.l. into Italmobiliare S.p.A. has been completed, pursuant to article 2501 of the Italian Civil Code. The merger was approved by the governing bodies of Franco Tosi and Italmobiliare and takes effect for accounting and tax purposes as from January 1, 2018. The merger was implemented using the exclusion envisaged by article 14.2 of the above-mentioned CONSOB Regulation, since it referred to a subsidiary and no other related parties held material interests in the subsidiary.

The parent Italmobiliare S.p.A. also provides “administrative service” activities to some subsidiaries, regulated on the basis of the costs attributable to performance of the service.

Transactions with other related parties

Transactions with other related parties in 2017 were as follows:

- administrative, financial, contractual and tax consultancy services supplied to the Italmobiliare Group by Finsise S.p.A., whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare until April 19, 2017, for considerations totaling 1,200 euro;
- payment of insurance policy premiums to Assicurazioni Generali S.p.A., of which Clemente Rebecchini is a director, for a consideration of 18,315 euro;
- purchase of publications and subscriptions from Il Sole 24 Ore S.p.A., of which Massimo Tononi is a director, for a consideration of 36,486 euro;
- legal consultancy and assistance on judicial and extrajudicial matters provided to Italmobiliare S.p.A. by the Gattai Minoli Agostinelli & Partners law firm, of which the director Luca Minoli is a partner, for considerations totaling 286,483 euro;
- a donation of 10,000 euro to the European Oncology Institute, of which Carlo Pesenti and Clemente Rebecchini are directors.

Transactions with related parties are disclosed in the notes; remuneration of the Italmobiliare S.p.A. directors, statutory auditors, chief operating officer and manager in charge of financial reporting is illustrated in the remuneration report.

For details of Italmobiliare S.p.A. transactions with related parties, the reader is referred to the specific sections in the directors' report and the notes to the parent's separate financial statements.

Legal and tax disputes

As already illustrated in previous financial reports, the Italcementi share sale and purchase agreement signed with HeidelbergCement AG envisaged customary undertakings relating to the interim period between the signing and sale dates, some representations and possible indemnification duties.

After the closing date, Italmobiliare S.p.A. received several claim notices from the purchaser for the execution of the above-mentioned undertakings. On September 15, 2017, the company signed a settlement agreement with the purchaser and Italcementi S.p.A. for the settlement of most of the above-mentioned claims. This agreement resulted in the payment to Italcementi S.p.A. – designated for this purpose by HeidelbergCement – of 17.0 million euro, fully covered by provisions for risks already recognized in the financial statements of Italmobiliare S.p.A. as at December 31, 2016, as well as in the partial use of the contractual thresholds for claims originally envisaged.

The validity of some claims that were not included in the settlement agreement are still in dispute.

In February, Italmobiliare S.p.A. filed an appeal with the Italian Revenue Agency against the tax assessment relating to dividends, which was subsequently filed with the Milan Provincial Tax Commission, and simultaneously made a payment of approximately 1.1 million euro representing 1/3 of the assessed higher taxes and accrued interest.

In May, the two appeals concerning controlled foreign companies (CFCs) were presented (for the 2010 and 2011 tax years) and a simultaneous payment was made of approximately 2.1 million euro representing 1/3 of the assessed higher taxes and accrued interest.

In June, the Inspections Office of the Milan Provincial Division I served Italmobiliare S.p.A. with three separate questionnaires relating to the 2012, 2013 and 2014, in order to acquire greater information/documentation about the CFCs to which the previous assessment notices referred. The company responded within the required term. This request was followed at the end of November by service of a tax assessment notice for 2012, in which the only disputed point was the designation of Crédit Mobilier de Monaco as a “black list CFC”. The assessed higher income, subject to separate taxation at a rate of 27.5%, amounts to approximately 0.4 million euro.

In light of the service of the 2012 CFC notice and the accrual of additional interest arising from the previous tax assessment notices (concerning dividends and CFCs 2010 and 2011), an additional amount of approximately 0.3 million euro was set aside, bringing the total provision for risks, net of the payments described above already made for the provisional tax demand pending a ruling, to approximately 13.6 million euro.

On December 15, 2017, Italmobiliare S.p.A. was served a tax assessment notice in which the Italian Revenue Agency rectified the market value of the building in Rome purchased by Italcementi in 2016 for an amount of 15.0 million euro.

Although the purchase had been made on the basis of valuations by two qualified independent valuers, the Revenue Agency assessed the market value of the building at approximately 24.7 million euro, with a corresponding increase in cadastral, mortgage and registration duties of approximately 0.8 million euro.

On February 8, 2018, a tax settlement proposal was presented to ascertain whether a solution to the dispute could be found, thereby suspending the term for a possible appeal against the assessment for 90 days.

No provision has been set aside, since it is believed that there are a number of valid arguments that could lead to a positive outcome of the dispute.

Appropriate provision has been made on an accruals basis for legal and tax disputes concerning Group companies, in cases where, with respect to risks that have emerged and assessment of related risks, contingent liabilities are probable and measurable.

Details of the main disputes are provided in the sections on the individual segments.

Compliance with the conditions for listing laid out in the CONSOB market regulation

With reference to the *Conditions for the listing of certain companies*, in accordance with Art. 15 et seq. of the Market Regulations adopted by Resolution no. 20249 of 28 December 2017, and subsequent amendments, on the basis of the «Audit Plan», one subsidiary headquartered in non-European Union countries is included in the scope of «material significance».

With regard to this company, all the conditions required for the maintenance of the listing of Italmobiliare S.p.A. as the "*Parent of non-European companies established and regulated under the law of non-EU countries*" have been met.

Compliance with simplified rules pursuant to arts. 70 and 71 of the Issuers Regulation

Italmobiliare S.p.A. has adopted the opt-out regime envisaged by the Consob Issuers Regulation, exercising the right to waive the obligations to publish disclosure documents required in connection with significant merger and demerger transactions, acquisitions and sales, capital increases by contributions in kind.

In compliance with this regime, Italmobiliare S.p.A. provided appropriate disclosures to the market.

Non-financial consolidated declaration

The Italmobiliare S.p.A. non-financial consolidated declaration, drafted pursuant to legislative decree no. 254/16, constitutes a separate report (Sustainability Report) with respect to this director's report, as envisaged by Article 5.3.b of Legislative decree no. 254/16. It is available on the www.italmobiliare.it website in the section "*Investor/Financial Reports*" section.

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Information on "Significant events after the reporting date" is provided in the sections on the individual segments.

* * *

Outlook

Based on forward-looking macro-economic indicators, the global economic expansion should continue through the first half of 2019. A context of economic reflation and the gradual normalization of monetary policies imply a potential upturn in bond yields, which are still significantly below nominal GDP growth rates.

The basic macro scenario supports the stock markets, although greater volatility and corrections are to be expected. The maturity phase of the expansionary economic cycle tends to expose profit growth rates to the risk of lower-than-expected earnings, while the rise in inflation, though moderate, and upswing in bond yields could compress valuation multiples currently above historic averages.

The risks present in 2018 also depend on political developments and decisions (from Italy to the Eurozone as a whole and to the discussions on international trade agreements) and on the international macro-economic fragility arising from a total debt stock (public and private) at 232% of world GDP, an all-time high.

In this context, Italmobiliare will continue to support the growth and development of its portfolio companies in order to improve their margins and potential for creating sustainable value over the medium term. Italmobiliare will also continue to pursue its investment policy, with a particular focus on acquiring equity holdings in companies with multinational exposure that guarantee adequate returns, in order to build up a balanced and diversified equity portfolio.

With regard to the equity investment in HeidelbergCement, which still accounts for a significant portion of the company portfolio, Italmobiliare has activated yield enhancement instruments and protective risk mitigation instruments.

Milan, March 6, 2018

For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

Italmobiliare Group
Consolidated financial statements
as at and for the year ended December 31, 2017

Financial statements

Statement of financial position

(in thousands of euro)	Note	12.31.2017	12.31.2016	Change
Non-current assets				
Property, plant and equipment	1	130,618	132,432	(1,814)
Investment property	2	9,240	6,473	2,767
Goodwill	3	13,302	30,118	(16,816)
Intangible assets	4	2,146	21,981	(19,835)
Equity-accounted investees	5	53,165	9,297	43,868
Other equity investments	6	610,429	662,078	(51,649)
Trade receivables and other non-current assets	7	160,096	114,866	45,230
Deferred tax assets	22	16,198	19,868	(3,670)
Total non-current assets		**995,194**	**997,113**	**(1,919)**
Current assets				
Inventories	8	40,594	35,753	4,841
Trade receivables	9	61,911	101,883	(39,972)
Other current assets including derivatives	10	32,961	34,725	(1,764)
Tax assets	11	7,893	9,291	(1,398)
Equity investments, bonds and loan assets	12	320,372	295,530	24,842
Cash and cash equivalents	13	217,870	285,505	(67,635)
Total current assets		**681,601**	**762,687**	**(81,086)**
Assets held for sale	14	**5,626**		**5,626**
Total assets		**1,682,421**	**1,759,800**	**(77,379)**
Equity				
Share capital	15	100,167	100,167	
Share premium	16	177,191	177,191	
Reserves		184,197	127,456	56,741
Treasury shares	17	(134,608)	(34,568)	(100,040)
Retained earnings		1,046,351	954,709	91,642
Equity attributable to owners of the parent		**1,373,298**	**1,324,955**	**48,343**
Non-controlling interests	18	359	9,212	(8,853)
Total equity		**1,373,657**	**1,334,167**	**39,490**
Non-current liabilities				
Financial liabilities	20	46,622	77,909	(31,287)
Employee benefits	19	9,908	15,196	(5,288)
Provisions	21	76,919	98,889	(21,970)
Other liabilities		2,669	600	2,069
Deferred tax liabilities	22	16,525	35,523	(18,998)
Total non-current liabilities		**152,643**	**228,117**	**(75,474)**
Current liabilities				
Bank loans and borrowings	20	14,640	28,247	(13,607)
Financial liabilities	20	39,759	27,152	12,607
Trade payables	23	63,143	53,933	9,210
Provisions	21	652	844	(192)
Tax liabilities	24	323	2,805	(2,482)
Other liabilities	25	37,604	84,535	(46,931)
Total current liabilities		**156,121**	**197,516**	**(41,395)**
Total liabilities		**308,764**	**425,633**	**(116,869)**
Liabilities directly linked to assets held for sale				
Total equity and liabilities		**1,682,421**	**1,759,800**	**(77,379)**

Pursuant to Consob Resolution no. 15519 of July 27, 2006, the effects of transactions with related parties on the financial position and results of operations are set out in the relevant annexes.

Income statement

(in thousands of euro)	Note	2017	%	2016	%	Change	%
Revenue		507,625		379,259		128,366	
Income from distribution to shareholders				71,769		(71,769)	
Total revenue and income	26	**507,625**	**100.0**	**451,028**	**100.0**	**56,597**	**12.5**
Other revenue		9,629		6,229		3,400	
Change in inventories		(424)		1,251		(1,675)	
Internal work capitalized		5,072		6,093		(1,021)	
Raw materials and supplies	27	(136,159)		(147,639)		11,480	
Services	28	(67,880)		(72,221)		4,341	
Personnel expenses	29	(139,537)		(150,786)		11,249	
Other operating expenses	30	(31,739)		(36,204)		4,465	
Gross operating profit		**146,587**	**28.9**	**57,751**	**12.8**	**88,836**	**153.8**
Amortization and depreciation	31	(18,988)		(19,989)		1,001	
Impairment losses on non-current assets	32			(316)		316	
Operating profit		**127,599**	**25.1**	**37,446**	**8.3**	**90,153**	**240.8**
Finance income	33	481		164		317	
Finance costs	33	(4,107)		(4,077)		(30)	
Exchange-rate differences and net gains (losses) on derivatives	33	(2,714)		(1,654)		(1,060)	
Impairment losses on financial assets	34	(21)		(26,232)		26,211	
Share of profit (loss) of equity-accounted investees	35	246		(509)		755	
Profit before tax		**121,484**	**23.9**	**5,138**	**1.1**	**116,346**	**2264.4**
Income tax expense	36	(6,238)		(18,555)		12,317	
Profit (loss) relating to continuing operations		**115,246**	**22.7**	**(13,417)**	**-3.0**	**128,663**	**959.0**
Profit (loss) relating to discontinued operations, net of tax effects	37			81,626		(81,626)	
Profit for the year		**115,246**	**22.7**	**68,209**	**15.1**	**47,037**	**69.0**
Attributable to:							
Owners of the parent		114,972	22.6	56,974	12.6	57,998	**101.8**
Non-controlling interests		274	0.1	11,235	2.5	(10,961)	-97.6
Earnings per share	39						
Basic ordinary shares		2.632 €		1.304 €			
Diluted ordinary shares		2.623 €		1.301 €			

Statement of comprehensive income

(in thousands of euro)	Note	2017	%	2016	%	Change	%
Profit for the year		**115,246**	**22.7**	**68,209**	**15.1**	**47,037**	**69.0**
Other comprehensive income (expense) relating to continuing operations	38						
Items that will not be reclassified to profit or loss subsequently							
Re-measurement of the net liability/(asset) for employee benefits		594		180		414	
Re-measurement of the net liability (asset) for employee benefits - investments in equity-accounted investees							
Income tax (expense)		(53)		48		(101)	
Total items that will not be reclassified to profit or loss subsequently		**541**		**228**		**313**	
Items that might be reclassified to profit or loss subsequently							
Translation reserve on foreign operations		(1,379)		(4,854)		3,475	
Translation reserve on foreign operations - investments in equity-accounted investees							
Fair value gains (losses) on cash flow hedging							
Fair value gains on cash flow hedging - investments in equity-accounted investees		85		4		81	
Fair value gains on available-for-sale financial assets		37,924		96,588		(58,664)	
Fair value gains (losses) on available-for-sale financial assets - investments in equity-accounted investees							
Income tax expense		18,992		(24,951)		43,943	
Total items that might be reclassified to profit or loss subsequently		**55,622**		**66,787**		**(11,165)**	
Total other comprehensive income relating to continuing operations net of tax effect		**56,163**		**67,015**		**(10,852)**	
Other comprehensive income relating to discontinued operations				47,560		(47,560)	
Total other comprehensive income		**56,163**		**114,575**		**(58,412)**	
Total comprehensive income		**171,409**	**33.8**	**182,784**	**40.5**	**(11,375)**	**-6.2**
Attributable to:							
owners of the parent		171,323		171,590		(267)	
non-controlling interests		86		11,194		(11,108)	

Consolidated statement of changes in equity

(in thousands of euro)	Attributable to owners of the parent										Non-controlling interests	Total equity
		Reserves										
	Share capital	Share premium	AFS fair value reserve	Hedging reserve	Actuarial gain/losses on defined benefit plans	Other reserves	Treasury shares	Translation reserve	Retained earnings (losses carried forward)	Total share capital and reserves		
Balance at December 31, 2015	**100,167**	**177,191**	**44,110**	**-10,879**	**-10,856**	**63,372**	**-20,792**	**5,010**	**1,491,234**	**1,838,557**	**2,490,918**	**4,329,475**
Profit for the year									56,974	56,974	11,235	68,209
Total other comprehensive income relating to continuing operations			71,635	4	216			-4,799		67,056	-41	67,015
Total other comprehensive income (expense) relating to assets held for sale			-16	18,859				28,717		47,560		47,560
Total comprehensive income			**71,619**	**18,863**	**216**			**23,918**	**56,974**	**171,590**	**11,194**	**182,784**
Dividends									-540,262	-540,262	-52,683	-592,945
Purchase of treasury shares							-14,849			-14,849		-14,849
% change in control and scope of consolidation and reclassifications			375	-8,475	9,506	-50,395		-34,003	-47,808	-130,800	-2,440,217	-2,571,017
Others							1,073		-354	719		719
Balance at December 31, 2016	**100,167**	**177,191**	**116,104**	**-491**	**-1,134**	**12,977**	**-34,568**	**-5,075**	**959,784**	**1,324,955**	**9,212**	**1,334,167**
Profit for the year									114,972	114,972	274	115,246
Total other comprehensive income continuing operations			56,916	85	540			-1,190		56,351	-188	56,163
Total comprehensive income (expense)			**56,916**	**85**	**540**			**-1,190**	**114,972**	**171,323**	**86**	**171,409**
Dividends									-22,960	-22,960	-2,669	-25,629
Purchase of treasury shares							-100,158			-100,158		-100,158
Sale of treasury shares							51			51		51
% change in control and scope of consolidation and reclassifications			7		97	-904	67	-1,336	2,156	87	-6,270	-6,183
Balance at December 31, 2017	**100,167**	**177,191**	**173,027**	**-406**	**-497**	**12,073**	**-134,608**	**-7,601**	**1,053,952**	**1,373,298**	**359**	**1,373,657**

Statement of cash flows

(in thousands of euro)	Note	2017	2016
A) Cash flow from (used in) operating activities:			
Profit before tax		121,484	5,138
Adjustments for:			
Amortization, depreciation and impairment losses		19,473	46,539
Reversal of share of profit (loss) of equity-accounted investees		(196)	509
(Gains)/losses on non-current assets		(128,533)	(78,123)
Change in employee benefits and other provisions		(26,474)	13,849
Stock options			
Reversal of net finance costs and income		(22,341)	5,182
Cash flow used in opearating activities		**(36,587)**	**(6,906)**
Change in working capital:			
Inventories		(4,865)	(2,299)
Trade receivables		4,333	1,748
Trade payables		14,646	(2,196)
Other receivables/payables, prepayments and accrued income, accrued expense and deferred income		3,606	20,001
Cash flow from (used in) operating activities before tax, finance income/costs		**(18,867)**	**10,348**
Net finance costs paid		1,711	(772)
Dividends received		14,736	6,839
Taxes paid		(2,390)	(3,016)
		14,057	**3,051**
Cash flow from operating activities of discontinued operations			
Total A)		**(4,810)**	**13,399**
B) Cash flow from in investing activities:			
Capital expenditure:			
PPE and investment property		(22,070)	(17,748)
Intangible assets		(6,879)	(11,048)
Financial assets (equity investments and funds)		(125,942)	(146,616)
Total capital expenditure		**(154,891)**	**(175,412)**
Proceeds from sale of non-current assets and loan repayments		154,594	61,630
Proceeds from discontinued operations		97,307	676,896
Total sales		**251,901**	**738,526**
Total B)		**97,010**	**563,114**
C) Cash flow used in financing activities:			
Change in financial liabilities		(486)	(123,438)
Change in financial assets		(21,764)	(27,809)
Change in current equity investments		(7,191)	(82,905)
Purchase of treasury shares		(100,107)	(14,849)
Dividends paid		(25,629)	(144,830)
Other changes in equity		(6,089)	(24,982)
Total C)		**(161,266)**	**(418,813)**
D) Translation differences and other changes			
Translation differences and other changes		1,431	9,632
Total D)		**1,431**	**9,632**
E) Cash flows for the year **(A+B+C+D)**		**(67,635)**	**167,332**
F) Cash and cash equivalents at beginning of the year		**285,505**	**118,173**
Cash and cash equivalents at end of the year **(E+F)**		**217,870**	**285,505**
cash and cash equivalents at end of the year relating to discontinued operations			
cash and cash equivalents at end of the year relating to continuing operations	**13**	217,870	285,505

Cash flows used in investing activities and from sales of non-current assets are discussed in the relevant section of the notes.

Notes

The consolidated financial statements of Italmobiliare S.p.A. as at and for the year ended December 31, 2017 were approved by the Board of Directors on March 6, 2018. At the meeting, the Board authorized publication of a press release dated March 6, 2018, containing key information from the financial statements.
As required by IAS 10, attention is drawn to the fact that these consolidated financial statements may be amended by the Shareholders' Meeting.
The financial statements have been drawn up on a going-concern basis. Despite the difficult general economic and financial situation, the Group has no material uncertainties about its going-concern status, by virtue of the action already taken to respond to the changes in demand, and its industrial and financial flexibility.

Core businesses

Italmobiliare S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy. It has been listed on the Milan Stock Exchange since 1980.
Italmobiliare S.p.A. and its subsidiaries form the “Italmobiliare Group”, an international player in the industrial and services for industry segment, the financial and private equity segment and the other activities segment.

Accounting policies

These consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2017 as endorsed by the European Union, and with the dispositions for enactment of article 9 of Legislative Decree no. 38/2005. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the IFRIC/SIC.
The Italian laws that enact EU Directive 2013/34 also apply, where compatible, to companies that draw up financial statements in accordance with the IFRS. Consequently, the financial statements are compliant with the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (TUF, *Testo Unico della Finanza*) for listed companies with regard to the directors’ report, the legally-required audit and the publication of the financial statements. The consolidated financial statements and related notes also set out the details and additional disclosures required under the articles of the Italian Civil Code governing financial statements, since such requirements are not in conflict with the IFRS, and under other Consob regulations and dispositions governing financial statements.
In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2017, that had not been endorsed by the European Union at that date.
Since January 1, 2017, the Group has adopted the amendments described below, including the amendments arising therefrom applied to other standards:

- Amendments to IAS 7 “Disclosure initiative”;
- Amendments to IAS 12 “Recognition of deferred tax assets for unrealized losses”.

Standards and interpretations that have been issued and endorsed but are not yet in effect

- IFRS 9 “Financial instruments”.
- IFRS 15 “Revenue from contracts with customers”.
- IFRS 16 “Leases”.
- Amendments to IFRS 4 “Applying IFRS 9 financial instruments with IFRS 4 insurance contracts”.
- Clarifications of IFRS 15 “Revenue from contracts with customers”.

IFRS 9 (which replaces IAS 39 as from January 1, 2018) introduces new indications for the classification and measurement of financial assets, which reflect the business model used to manage these assets and their cash flow characteristics. Specifically, three categories are contemplated: financial assets measured at amortized cost, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income.

The Group has not elected early adoption. Nevertheless, during 2017, it completed its analysis to identify the areas affected by the application of the new standard and determine its impact.
During 2017, the Group completed analysis of the business model with which financial instruments and their cash flow characteristics will be managed. It estimated the impact of the change in classification and measurement of financial assets. IFRS 9 will generate effects on all the companies in the Financial and private equity segment, particularly with regard to interests in private equity funds and financial instruments currently classified as available-for-sale.

The Group also examined the impact of the IFRS 9 forward-looking “expected credit losses” model, and concluded that overall its overall impact would be immaterial.

IFRS 15 “Revenue from contracts with customers” (applicable for reporting periods beginning on or after January 1, 2018) establishes a new model for recognition of revenue, which will be applied to all contracts with customers with the exception of those covered by other IFRS such as lease contracts, insurance contracts and financial instruments. The main steps for recognition of revenue under IFRS 15 are:

1) identification of the contract with a customer;
2) identification of the performance obligations in the contract;
3) determination of the transaction price, i.e., the amount of consideration to which the entity expects to be entitled;
4) allocation of the transaction price to each performance obligation in the contract;
5) the criteria for recognition of revenue when the entity satisfies each performance obligation.

The Group has not elected early adoption. During 2017 it completed its analysis of the main types of contract in order to identify the areas that are affected by the application of the new standard and determine its impact.
IFRS 15 is not expected to have material impacts on the Group consolidated financial statements since the main impacts identified during the analysis related to the e-procurement sub-segment (BravoSolution group), which was sold in December 2017.

The effects of adoption of IFRS 9 and IFRS 15 at January 1, 2018 could change as a result of:

- changes to the Group’s new information systems; and
- changes that might be introduced in the measurement criteria before the presentation of the Group consolidated financial statements as at and for the year ending December 31, 2018.

The estimated total effect (net of tax) on the opening balance of Group equity at January 1, 2018 amounts to 508 thousand euro, largely attributable to the different measurement criterion for some bonds (amortized cost).

The new standard IFRS 16 “Leases” extends the accounting treatment used for finance leases to operating leases, in that it requires recognition of an asset representing the right to use the underlying leased asset and of a liability reflecting the obligation to make lease payments. The company has not elected early adoption and expects the standard to have an effect on most of the consolidated companies, given the large number of existing rental contracts and operating leases. The impact is expected to be more significant in the Industrial and services for industry segment and less significant in the Financial and private equity segment. The Group is completing its analysis of the impact of the new standard.

The other standards or amendments are not expected to have material effects on the Group consolidated financial statements.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2017, but not endorsed by the European Union at that date

- IFRS 17 “Insurance contracts” issued in May 2017, a complete new standard relating to insurance contracts, which covers measurement and recognition, presentation and disclosure;
- IFRIC 22 “Foreign currency transactions and advance consideration” issued in December 2016;
- IFRIC 23 “Uncertainty over income tax treatments” issued in June 2017;
- Amendments to IFRS 2 “Classification and measurement of share-based payment transactions”, issued in June 2016;
- Annual improvements cycle to IFRS 2014-2016 issued in December 2016;
- Annual improvements cycle to IFRS 2015-2017 issued in December 2017;
- Amendments to IAS 40 “Transfer of investment property” issued in December 2016;
- Amendments to IFRS 9 “Prepayment features with negative compensation” issued in October 2017;
- Amendments to IAS 28 “Long-term interest in associates and joint ventures” issued in October 2017;
- Amendments to IFRS 10 and IAS 28 with the title “Sale or contribution of assets between an investor and its associate or joint venture”;
- IFRS 14 “Regulatory deferral accounts”, for which the European Commission has not yet begun the approval process, pending issue of the definitive standard.

The above standards or amendments are not expected to have material impacts on the Group consolidated financial statements.

Measurement criteria and basis of presentation

The consolidated financial statements adopt the cost principle, with the exception of derivatives and financial assets held for trading or available for sale, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The consolidated financial statements are presented in euro, the functional currency of the parent Italmobiliare S.p.A.. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.

The basis of presentation of the Group financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;
- on the income statement, costs are analyzed by nature;

- with regard to comprehensive income, the Group presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the year, while the second statement, beginning with the profit (loss) for the year, details other comprehensive income (expense), previously reflected only in the statement of changes in consolidated equity: fair value gains/losses on available-for-sale financial assets and derivatives, translation differences;
- on the statement of cash flows, the indirect method is used.

Use of estimates

The preparation of the consolidated financial statements and the notes in conformity with the IFRS requires management to make discretional assessments and estimates that affect the values of assets, liabilities, income and expense, such as amortization and depreciation, and the disclosures on contingent assets and liabilities in the notes. Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present climate of financial and economic uncertainty, which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including adjustments of a material nature, to the carrying amounts of the items in question.
Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depends on forecasts of future results and cash flows, measurement of contingent liabilities, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits. Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.
Since the Italmobiliare Group applies IAS 34 “Interim financial reporting” to its interim reports, with consequent identification of a six-month interim period, any impairment losses are recorded at period end.

Basis of consolidation

The consolidated financial statements are based on the financial statements as at and for the year ended December 31, 2017 of the parent Italmobiliare S.p.A. and the consolidated companies, in compliance with the Group accounting policies.

Subsidiaries

Subsidiaries are companies in which the Group is exposed to variable returns, or holds rights to such returns, by virtue of its relationship with the companies in question, and simultaneously has the ability to affect such returns by exercising its power.
The Group ascertains the existence of control on the basis of the existence of three elements:

- power: the current ability of the Group, arising from substantial rights, to determine the key operations of operations that have a material impact on the company’s returns;
- the exposure of the Group to the variability of the returns of the investee;
- correlation between power and returns, the Group has the ability to exercise its power to affect the returns arising from the relationship.

Subsidiaries are consolidated on a line-by-line basis as from the date at which control is obtained and until control is transferred out of the Group.

Associates

Associates are companies in which the Group has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the Group holds, directly or indirectly, at least 20% of voting rights or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders' agreements or other forms of material exercise of rights of governance. Investments in associates are measured using the equity method, whereby they are recognized initially at cost, and subsequently adjusted to reflect changes in the value of the Group's interest in the associate's equity. The Group's share of an associate's profit or loss is recognized in a specific income statement line item from the date at which the Group exerts significant influence until it relinquishes such influence.

Joint arrangements

A joint arrangement is a contractual arrangement that attributes joint control of the arrangement to two or more parties.
A joint arrangement may be a "joint operation" or a "joint venture".

Joint operations

A joint operation is a joint arrangement in which a Group company, together with other parties who hold joint control, has rights to the assets and obligations for the liabilities to which the arrangement refers; the parties are called joint operators.
With regard to recognition in the consolidated and separate financial statements, the joint operator recognizes, in relation to its interest, its assets and liabilities, including its share of assets held jointly and liabilities incurred jointly, its revenue and expense relating to its part of the output and its share of the revenue and expense relating to the output obtained jointly.
A party to a joint operation that does not hold joint control recognizes its interest in the arrangement as illustrated in the previous paragraph if it has rights to the assets and obligations for the liabilities relating to the joint operation.

Joint ventures

Joint ventures are companies regarding which the Group has entered into a joint arrangement giving it rights to the net assets of the arrangement.
Joint ventures are accounted for using the equity method, except in cases when there is evidence that the interest has been acquired and is held with the intention of selling it within twelve months of purchase and that the Group is actively seeking a buyer.
Furthermore, if the Group has an interest in a joint venture without holding joint control, since such control is held by other parties, the joint venture is accounted for in accordance with:

- IAS 28, if significant influence is exercised;
- IAS 39, in the case of a simple financial asset.

The statements of financial position and income statements of joint ventures are consolidated from the date on which joint control is assumed and until such control is relinquished.

Transactions eliminated during consolidation

All intragroup balances and transactions, including any unrealized gains in respect of third parties, are eliminated in full. Unrealized losses in respect of third parties deriving from intragroup transactions are eliminated, except in cases where it will not subsequently be possible to recover such losses.
Unrealized gains in respect of third parties deriving from transactions with associates are eliminated against the equity investment carrying amount. Losses are eliminated proportionately to the Group's interest, unless it will not subsequently be possible to recover such losses.

Scope of consolidation

A list of consolidated companies, proportionately consolidated companies and companies consolidated using the equity method is provided in the annex to these notes.

Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such when their carrying amount will be recovered chiefly through sale rather than through continuing use; such operations must be an important autonomous business operation or geographical area of operation.
The conditions indicated are deemed to exist when the sale is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Available-for-sale assets are recognized at the lower of carrying amount and fair value less costs to sell.
Once property, plant and equipment, and intangible assets, have been classified as available-for-sale, no further amortization and depreciation may be applied.
In the income statement, profit (loss) relating to discontinued operations, together with fair value gains (losses) less costs to sell and gains or losses arising from the sale of the operation, are reflected in a single item separately from profit (loss) relating to continuing operations.
Cash flows relating to discontinued operations are shown separately in the statement of cash flows.
A similar disclosure is also presented for the comparative period.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the Group elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.
Until December 31, 2009, business combinations were accounted for using the purchase method under IFRS 3.
Since January 1, 2010, business combinations have been accounted for using the acquisition method under IFRS 3 revised.

Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:

- o the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity, and
- o the net amount of identifiable assets and liabilities at the acquisition date.

Negative differences are recognized immediately in profit or loss.
If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

Business combinations achieved in stages

When a business combination is achieved in stages, through a series of share purchases, for each transaction the fair value of the previously held interest is re-determined and any gain or loss is taken to profit or loss.

Purchase of non-controlling interests

Acquisitions of additional shares after acquisition of control do not require re-determination of identifiable asset and liability amounts. The difference between the cost and the acquired equity interest is recognized as equity attributable to owners of the parent. Transactions that reduce the percentage interest held without loss of control are treated as sales to non-controlling interests and the difference between the interest sold and the price paid is recognized in equity attributable to the owners of the parent.

Commitments to purchase non-controlling interests

A put option granted to non-controlling interests of a company controlled by the Group is initially recognized by recording the acquisition amount as a liability, since the amount in question is the present value of the put option exercise price.
The complementary acquisition of non-controlling interests with put options is recognized in the financial statements:

- the non-controlling interests to which the put refers are eliminated from equity and reclassified under liabilities and the difference between the fair value of the purchase commitment liabilities and the carrying amount of the non-controlling interests is recognized under equity attributable to owners of the parent;
- subsequent changes in liabilities are recognized under equity attributable to owners of the parent with the exception of adjustments to the present value, which are taken to profit or loss.

Transactions in currencies other than the functional currency

The functional currency of the subsidiaries located outside the Eurozone is usually the local currency.
Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the reporting date, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to profit or loss.
Non-monetary foreign currency assets and liabilities measured at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

Translation of the financial statements of foreign operations

At the end of the reporting period, the assets, including goodwill, and liabilities of consolidated companies that report in currencies other than the euro are translated into the presentation currency of the Group's consolidated accounts at the exchange rate ruling at such date. Income statement items are translated at the average rate for the year. Gains and losses arising from the translation of opening equity at the closing rates and those arising from the different method used to translate profit or loss for the year are recognized in a specific equity item. In the event of subsequent disposal of a foreign operation, the cumulative translation differences are taken to profit or loss.
As allowed under IFRS 1, cumulative translation differences at the date of first-time adoption of the IFRS have been reclassified to "Retained earnings" under equity and therefore will not be taken to profit or loss in the event of subsequent disposal.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004, reflects revaluations applied in prior periods in connection with specific local laws, based on the real economic value of the assets in question. The revalued amount recognized in accordance with IFRS 1 was assumed as cost at the IFRS transition date.
Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted where necessary within the following twelve months.
Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the carrying amount of the replaced component is eliminated with a balancing entry in profit or loss.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

Leases

Finance leases, which substantially transfer to the Group all risks and rewards incidental to ownership of the leased asset, are recognized from the lease inception date at the lower of the leased asset fair value or the present value of the lease payments. Lease payments are apportioned between finance costs and reductions against the residual liability so as to obtain a constant rate of interest on the outstanding liability.
The policies used for depreciation and subsequent measurement of leased assets are consistent with those used for the Group's own property, plant and equipment.
Leases where all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.
Operating lease payments are recognized as expense on a straight-line basis over the lease term.

Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

Goodwill

Goodwill recognized in accordance with IFRS 3 revised is allocated to the cash-generating units that are expected to benefit from the synergies created by the acquisition. Goodwill is stated at the original value less any impairment losses identified through tests conducted on an annual basis or more frequently if indications of impairment emerge.
When goodwill is allocated to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining any gain or loss arising from the transaction.

Intangible assets

Intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over the asset's useful life.
Other than goodwill, the Group has not identified intangible assets with an indefinite useful life.

Impairment

Goodwill is systematically tested for impairment on an annual basis or more frequently if indications of impairment emerge.
Property, plant and equipment and investment property, and amortizable intangible assets, are tested for recoverability if indications of impairment emerge.
An Impairment loss is the difference between the asset carrying amount and its recoverable amount. Recoverable amount is the greater of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Fair value less costs to sell is determined through application of suitable valuation models, adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.
In determining value in use, assets are measured at the level of cash-generating units, on the basis of their operating attribution. Estimated future cash flows are discounted at a rate determined for each cash-generating unit using the weighted average cost of capital method (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to profit or loss.
Impairment losses on goodwill may not be reversed.

Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase with the exception of financial assets held for trading (fair value through profit or loss).
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to profit or loss.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale, under current and non-current assets, and recognized at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to profit or loss. Impairment losses are recognized when there is objective evidence that one or more events subsequent to initial recognition of an asset have had a negative effect on the estimated future cash flows of that asset. Objective evidence of impairment of a financial asset includes debtor insolvency or default, indications of debtor or issuer bankruptcy, adverse changes in the payment status of debtors or issuers, business conditions linked to default or disappearance of an active market for the asset. In addition, for equity instruments classified as available-for-sale, a material and prolonged reduction in fair value to below cost is considered objective evidence of impairment. On this question, the Group has adopted a specific accounting policy, which establishes materiality and duration thresholds for loss of market value with respect to the carrying amounts; once such thresholds have been reached, the impairment loss is taken to profit or loss. During 2017, after an analysis of historical market volatility, the thresholds used by the Group were reviewed and reduced. The two thresholds are considered separately and only one threshold needs to be reached for an impairment loss to be recognized:

- loss of market value of more than 45% for bank stocks (30% for non-bank stocks) of the original cost at the reporting date;
- a market value seen to be continually lower than original cost over a period of 24 months for bank stocks (18 months for non-bank stocks).

With regard to assets on which impairment losses were recognized in previous periods, additional losses of value are automatically recognized as impairment losses.
Subsequent reversals of impairment losses on available-for-sale assets recognized in profit or loss are not taken to profit or loss but to equity, even in cases where the reasons that caused the loss no longer exist.
Only equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
Purchase cost includes costs incurred to bring assets to the warehouse, less allowances for write-downs of obsolete and slow-moving items.
Production cost of finished goods and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs, determined on the basis of normal plant operations. Financial costs are not included.
The net realizable value of raw materials, consumables and supplies is their replacement cost.
The net realizable value of finished goods and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

Trade receivables and other non-current assets

Trade receivables and other receivables are initially recognized at fair value plus transaction costs, and subsequently measured at amortized cost less allowances for impairment, which are provided for as bad debts are identified.
Allowances for impairment of trade receivables are determined in accordance with Group procedures. The calculation takes account of bank guarantees and collateral provided. At the end of the reporting period, the Group companies conduct a customer-by-customer analysis of doubtful (overdue) receivables and adjust the carrying amount of (overdue) receivables that present risks accordingly.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank demand deposits and other treasury investments with original maturity of not more than three months. Current account overdrafts are treated as a source of financing and not as cash and cash equivalents.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

Derecognition of financial assets

The Group derecognizes financial assets in whole or in part when:
- the contractual rights attributable to the assets in question have expired;
- it transfers the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets.

Employee benefits

The Group operates pension plans and post-employment benefits. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in some Group companies ("Other long-term benefits").

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the Group pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and recognized as an expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the Group. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the Group uses the unit credit projection method to determine the present value of obligations and the related current service cost.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

Employment termination plans

Employment termination plans include provisions for restructuring costs recognized when the Group company in question has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive years or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the year.
Actuarial gains and losses are recognized immediately under other comprehensive income (expense).
Actuarial gains and losses relating to “Other long-term benefits” (service medals, length of service benefits) and to early retirement benefits are recognized in profit or loss immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in profit or loss for the year, as are costs that vest immediately upon changes to a plan.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as profit or loss when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance cost

Net finance cost on defined benefit plans consists of the following measurements:

- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance cost is determined by applying to all the above items the discount rate adopted at the beginning of the year to measure the defined benefit plan obligation.
Net finance costs on defined benefit plans are recognized under finance income/(cost) on the income statement.

Share-based payments

The Group has applied IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by Group companies to employees and directors give rise to recognition of a cost classified under personnel expenses, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value at the grant date is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for non-recurring events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Provisions for risks and charges

The Group recognizes provisions for risks and charges when a present or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the reporting date. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized in profit or loss in the year in which the change occurs.
Pending publication of a standard/interpretation on accounting treatment of greenhouse gas emission allowances, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the Group recognizes a separate provision when emissions are greater than the allowance.
Restructuring costs are provided when the Group company concerned has approved a detailed formal plan that has already been implemented or notified to the relevant third parties.

Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest-rate method.

Trade payables and other payables

Trade payables and other payables are stated initially at the fair value of the original consideration received and subsequently measured at amortized cost.

Revenue, other revenue, interest income and dividends

Sale of goods and services

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the Group and the amount in question can be reliably determined.
Revenue is recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.
Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.
Revenue includes dividends received, and interest and commission income earned by the finance and banking companies.

Rental income

Rental income is recognized as other revenue, as received, at constant amounts over the rental period.

Costs

Costs are recognized on an accruals basis in accordance with the cost and revenue matching principle, whereby they are matched with revenue.

Interest income

Interest income earned by companies that are not financial or banking companies is recognized as finance income on an accruals basis using the effective interest method.

Dividends

Dividends are recognized as shareholders' right to receive payment arises, in accordance with local laws, and are classified under "Finance income and costs", with the exception of dividends earned by banking and finance companies, which are classified under "Revenue".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.
Grants related to the purchase or production of non-current assets (grants related to assets) are recognized as deferred income and taken to profit or loss over the useful life of the underlying assets.

Derivatives

The Group uses derivatives such as options and futures to manage market risks.
Derivatives are measured and recognized at fair value.
Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
The fair value of foreign-currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles.
The fair value of derivatives is determined using the swap curve weighted to take account of the counterparty credit risk.
The fair value of interest-rate contracts is determined on the basis of discounted flows using the zero coupon curve.
Derivatives, with the exception of those that qualify for hedge accounting, are classified under current assets and fair value gains and losses are taken directly to profit or loss.

Hedging transactions

In accordance with IAS 39, derivatives may be designated as hedging instruments when:

- the hedging relationship is formally designated and documented at inception;
- the hedging relationship is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedging relationship can pass effectiveness tests in all the accounting periods in which it is in operation.

For accounting purposes, hedges are classified as "fair value hedges", as "cash flow hedges" or as "hedges of investments in foreign operations".

Fair value hedges are hedge Group exposure to fair value changes on a recognized asset or liability or an unrecognized firm commitment, or on an identified portion of such an asset, liability or firm commitment, subject to a particular risk that could affect profit or loss.
The carrying amount of the hedged item is adjusted for the gains or losses attributable to the hedged risk, the hedging instrument is re-measured at fair value, and any gains and losses on the derivative and on the underlying item are taken to profit or loss.
For hedged items measured at amortized cost, the adjustment to the carrying amount is amortized through profit or loss over the residual term to maturity. Any adjustment to the carrying amount of a hedged financial instrument, for which the effective interest method is used, is amortized through profit or loss. Amortization may begin as soon as an adjustment arises but no later than when the hedged item ceases to be adjusted for fair value changes attributable to the hedged risk.

When an unrecognized commitment is designated as a hedged item, the subsequent cumulative fair value change attributable to the hedged risk is recognized as an asset or liability, with a corresponding gain or loss in profit or loss. Fair value changes of a hedged instrument are also taken to profit or loss.
The Group discontinues fair value hedge accounting if the derivative expires, is sold, is settled or exercised, if the hedge no longer qualifies for hedge accounting or if the Group revokes designation.

Cash flow hedges are hedges of exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or with a highly probable forecast transaction that could affect profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized under comprehensive income (expense), while the non-effective component is recognized in profit or loss.
Amounts deferred in equity are transferred to profit or loss when the hedged transaction affects profit or loss. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or liability.
If the forecast transaction is no longer highly probable, the amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires, is sold, settled or exercised without replacement, or if the hedge designation is revoked, the amounts previously recognized in equity are retained in equity until the forecast transaction takes place. If the highly probable forecast transaction will no longer take place, the amounts in question are taken to profit or loss.

Hedges of net investments in foreign operations, including hedges of a monetary item accounted for as a part of a net investment, are treated in the same way as cash flow hedges. The effective component of the gain or loss on the hedging instrument is recognized in equity, while the non-effective component is recognized in profit or loss. On disposal of the foreign operation, the cumulative gain or loss recognized in equity is taken to profit or loss.

Income taxes

Current income taxes are provided in accordance with local tax laws in the countries where the Group operates.
Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax assets to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.
Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:

- taxable temporary differences arising from the initial recognition of goodwill, except when such goodwill is tax deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;
- equity investments in subsidiaries, associates and joint ventures when:
  - the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
  - it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be reversed.
- deferred tax assets are reviewed at each reporting date and reduced to the extent that sufficient taxable profit is no longer likely to be available in the future against which the assets can be used in full or in part.

Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the reporting date.
Taxes relating to items recognized directly in equity are recognized in equity, not in profit or loss.
Deferred tax assets and deferred tax liabilities are not discounted to present value.

Management of capital

The Group monitors capital using the gearing ratio (net financial debt / equity). The net financial debt reflects financial liabilities less cash and cash equivalents and other financial assets. Equity consists of all the items indicated on the statement of financial position.
The primary objective of Group capital management is to guarantee a solid credit rating and to maintain financial indicators at appropriate levels to ensure smooth running of business operations, funding of planned investments and creation of maximum shareholder value.
The Group manages and amends the capital structure to take account of changes in economic and financial conditions, in relation to its international presence and growth plans. To maintain or modify its capital structure, the Group may adjust dividends paid to shareholders, reimburse capital, issue new shares, raise or reduce equity investments in subsidiaries, purchase/sell equity investments.

Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:

Currencies	Average rate		Closing rate	
	Full year 2017	Full year 2016	December 31, 2017	December 31, 2016
Czech crown	26.32837	27.03429	25.53500	27.02100
Serbian dinar	121.36576	123.10618	118.63860	123.40300
UAE dirham	4.14666	4.06344	4.40440	3.86960
Moroccan dirham	10.94961	10.84996	11.23600	10.65690
Australian dollar	1.47281	1.48828	1.53460	1.45960
US dollar	1.12945	1.10664	1.19930	1.05410
Hungarian florin	309.17732	311.43790	310.33000	309.83000
Swiss franc	1.11144	1.09016	1.17020	1.07390
Ukrainian hryvnia	30.01425	28.28492	33.73180	28.73860
Croatian kuna	7.46338	7.53329	7.44000	7.55970
Moldavian leu	20.84146	22.05249	20.52710	21.06240
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Egyptian pound	20.15363	11.07061	21.33090	19.21050
Bosnian mark	1.95583	1.95583	1.95583	1.95583
New Turkish lira	4.11867	3.34325	4.54640	3.70720
New Romanian leu	4.56853	4.49043	4.65850	4.53900
Mexican peso	21.32289	20.66731	23.66120	21.77190
Brazilian real	3.60437	3.85614	3.97290	3.43050
Chinese renminbi	7.62800	7.35222	7.80440	7.32020
Pound sterling	0.87656	0.81948	0.88723	0.85618
Polish zloty	4.25702	4.36321	4.17700	4.41030

The exchange rates used to translate the financial statements of foreign operations are those published by the Bank of Italy.

Significant events and changes in the scope of consolidation

Changes in the scope of consolidation

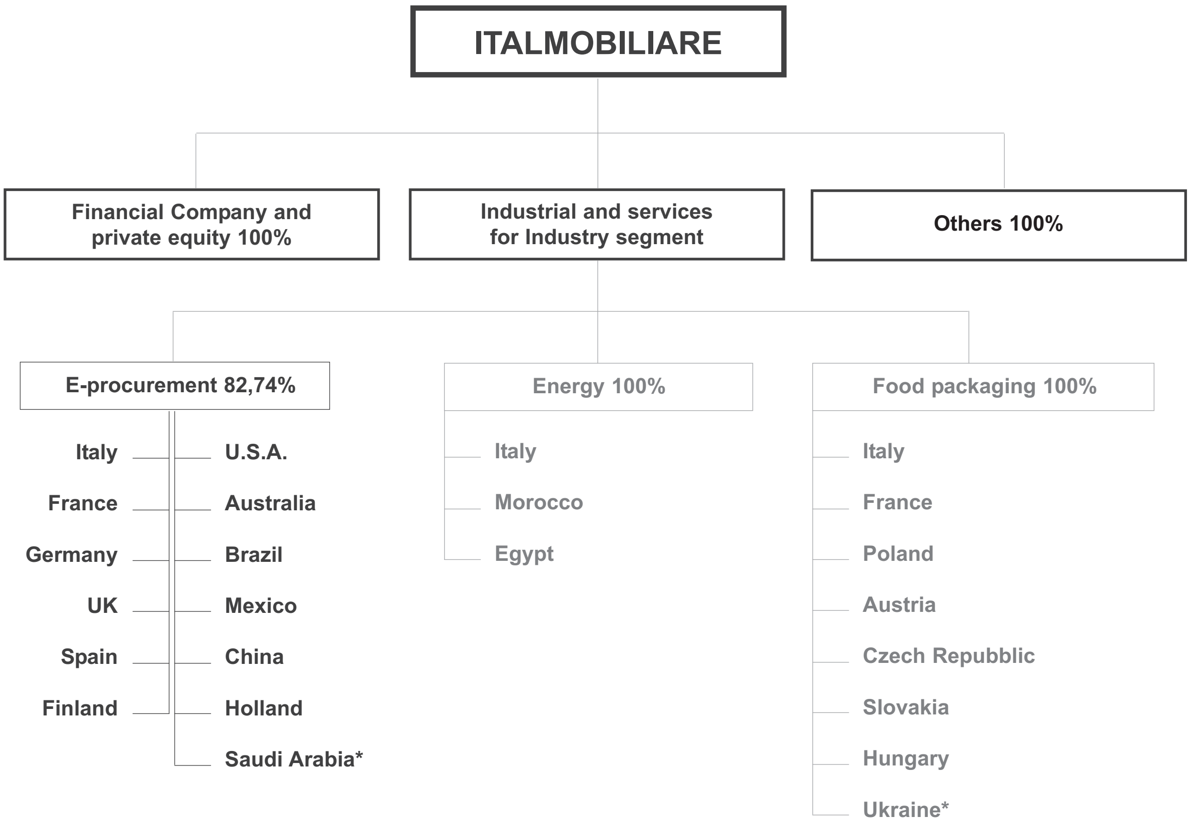
The main changes with respect to December 31, 2016 are as follows:

- the sale on December 28, 2017 of the equity investment in Bravosolution S.p.A. (Italy) and in its subsidiaries in the Industrial and services for industry segment;
- the acquisition of 40% of Tecnica S.p.A. (Italy) active in the Industrial and services for industry segment;
- the upstream merger of Italgen Gulf El Zait into Italgen Misr for Energy (both companies are Egyptian entities);
- the acquisition of the 1% not yet owned of Clessidra SGR S.p.A. (Italy) active in the private equity sector.

The sale of the BravoSolution group (e-procurement) has not been treated in accordance with IFRS 5, showing profit and loss items under a single line item ("Profit (loss) relating to discontinued operations, net of tax effects"), since the equity investment does not represent a material discontinued operation pursuant to paragraph 31 *et seq.* of IFRS 5. Consequently, the group's income statement incorporates the results of the BravoSolution group, line by line, for the ten months to October 31, 2017, the date taken as the deconsolidation data instead of the sale date. These data were the last pre-sale available and approved results at the time of preparation of the consolidated financial statements.

Subsidiaries with non-controlling interests

The chart below illustrates the structure of the Italmobiliare group:



* countries with non-controlling interests

In the BravoSolution group there are material non-controlling interests in the United Arab Emirates in a 51% held investee.
The table below sets out the key figures of this company with material non-controlling interests:

	TejariSolution FZ LLC	
(in millions of euro)	**ott-17**	**2016**
Revenue	8.4	10.6
Profit for the year	3.0	3.5
Profit attributable to non-controlling interests of the BravoSolution group	1.5	1.7
Profit attributable to non-controlling interests of the Italmobiliare group	1.7	2.0
Total comprehensive income	2.0	3.9
Total comprehensive income attributable to non-controlling interests of the BravoSolution group	1.0	1.9
Total comprehensive income attributable to non-controlling interests of the Italmobiliare group	**1.2**	**2.3**
Non-current assets		1.2
Current assets		1.1
Non-current liabilities		
Current liabilities		(6.9)
Net assets (liabilities)		(4.6)
Net assets (liabilities) attributable to non-controlling interests of the Italcementi group		(2.3)
Net assets (liabilities) attributable to non-controlling interests of the Italmobiliare group		**(2.7)**
Dividends paid	5.7	2.8
Dividends paid to non-controlling interests of the BravoSolution group	2.8	1.4
Dividends paid to non-controlling interests of the Italmobiliare group	**2.8**	**1.4**

Operating segment disclosure

The businesses in which the Group operates that constitute its reportable segments as required by IFRS 8 are: Industrial and services for industry segment, Financial and private equity segment and Other activities segment.

The Group management and organizational structure reflects the segment reporting format by line of business described above. Identification of the operating segments is based on the elements used by Group senior management to take decisions regarding allocation of resources and evaluation of results.

Operating segment disclosure

The table below sets out segment revenue and income and performance for 2017:

(in thousands of euro)	Revenue and income	Intragroup sales	Contribution revenue	Gross operating profit (loss)	Operating profit (loss)	Finance income (costs)	Impairment losses on financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax expense
Industrial and services for industry segment	315,451	1,235	316,686	24,140	5,705			246		
Financial and private equity segment	170,050	18,658	188,708	103,517	102,806		(21)			
Other activities	3,365	(1,134)	2,231	(1,017)	(1,221)					
Unallocated items and adjustments	18,759	(18,759)		19,947	20,309	(6,340)			121,484	(6,238)
Total	**507,625**		**507,625**	**146,587**	**127,599**	**(6,340)**	**(21)**	**246**	**121,484**	**(6,238)**

The table below sets out segment revenue and income and performance for 2016:

(in thousands of euro)	Revenue and income	Intragroup sales	Contribution revenue	Recurring gross operating profit (loss)	Operating profit (loss)	Finance income (costs)	Impairment losses on financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax expense
Industrial and services for industry segment	341,242	(28)	341,214	33,785	14,267			4		
Financial and private equity segment	872,208	(765,383)	106,825	791,329	790,879		(27,239)	(513)		
Other activities	3,435	(446)	2,989	(382)	(460)					
Unallocated items and adjustments	(765,857)	765,857		(766,981)	(767,240)	(5,567)	1,007		5,138	(18,555)
Total	**451,028**		**451,028**	**57,751**	**37,446**	**(5,567)**	**(26,232)**	**(509)**	**5,138**	**(18,555)**

The table below sets out other segment data at December 31, 2017:

(in thousands of euro)	December 31, 2017		December 31, 2017			
	Total assets	Total liabilities	PPE, inv. prop. and intangibles	Non-current financial assets	Amortization and depreciation	Impairment losses on non-current assets
Industrial and services for industry segment	280,730	239,163	21,880		(18,437)	
Financial and private equity segment	1,490,223	81,360	592	112,926	(398)	(21)
Other activities	27,002	9,316	6,495		(153)	
Inter-segment eliminations	(121,160)	(21,075)				
Total	**1,676,795**	**308,764**	**28,967**	**112,926**	**(18,988)**	**(21)**
From assets held for sale	5,626					
Total	**1,682,421**	**308,764**	**28,967**	**112,926**	**(18,988)**	**(21)**

The table below sets out other segment data at December 31, 2016:

(in thousands of euro)	December 31, 2016		December 31, 2016			
	Total assets	Total liabilities	PPE, inv. prop. and intangibles	Non-current financial assets	Amortization and depreciation	Impairment losses on non-current assets
Industrial and services for industry segment	378,539	297,428	26,907	6,884	(19,555)	(316)
Financial and private equity segment	1,515,380	134,196	15,731	250,949	(356)	
Other activities	19,569	9,353	41		(78)	
Inter-segment eliminations	(153,688)	(15,344)				
Total	**1,759,800**	**425,633**	**42,679**	**257,833**	**(19,989)**	**(316)**
From assets held for sale						
Total	**1,759,800**	**425,633**				

Assets

Non-current assets

1) Property, plant and equipment

(in thousands of euro)	Land and buildings	Technical plant, materials and equipment	Other property, plant and equipment	Total
Gross amount	80,521	211,274	50,070	341,865
Accumulated depreciation	(28,858)	(148,220)	(32,355)	(209,433)
Carrying amount at December 31, 2016	**51,663**	**63,054**	**17,715**	**132,432**
Additions	2,409	9,996	3,296	15,701
Change in scope of consolidation, reclassifications, other	(675)	4,445	(7,711)	(3,941)
Disposals	(326)	(94)	(225)	(645)
Depreciation	(1,887)	(10,016)	(1,046)	(12,949)
Impairment losses				
Reversal of impairment losses				
Translation differences	311	176	(467)	20
Carrying amount at December 31, 2017	**51,495**	**67,561**	**11,562**	**130,618**
Gross amount	80,611	225,406	36,659	342,676
Accumulated depreciation	(29,116)	(157,845)	(25,097)	(212,058)
Carrying amount at December 31, 2017	**51,495**	**67,561**	**11,562**	**130,618**

Non-current assets held under finance leases and rental contracts were carried at 1,400 thousand euro at December 31, 2017 (2,333 thousand euro at December 31, 2016). They consisted of buildings for 671 thousand euro and plant for 729 thousand euro.

“Other property, plant and equipment” includes assets under construction for 8,709 thousand euro.

The useful lives adopted by the Group for the main asset categories are as follows:

Civil and industrial buildings	10 – 33 years
Plant and machinery	5 – 30 years
Other property, plant and equipment	3 – 10 years

The range between the above minimum and maximum limits indicates the presence of components with separate useful lives within each asset category.

2) Investment property

(in thousands of euro)	
Gross amount	7,561
Accumulated depreciation	(1,088)
Carrying amount at December 31, 2016	**6,473**
Additions	6,387
Disposals	
Depreciation and impairment losses	(360)
Reclassifications and other changes	(3,260)
Carrying amount at December 31, 2017	**9,240**
Gross amount	9,668
Accumulated depreciation	(428)
Carrying amount at December 31, 2017	**9,240**

Investment property is carried at amortized cost.
Fair value of investment property at December 31, 2017 was 26,026 thousand euro (24,896 thousand euro at December 31, 2016).

3) Goodwill

(in thousands of euro)	
Carrying amount at December 31, 2016	**30,118**
Additions	267
Translation differences and other changes	(1,073)
Change in scope of consolidation	(16,010)
Carrying amount at December 31, 2017	**13,302**

The changes in goodwill arose from the acquisition of equity investments by BravoSolution US during the year, from translation differences generated by the appreciation of some currencies against the euro, and from the deconsolidation of the BravoSolution group.

Goodwill impairment testing

Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs). The Group tests goodwill recoverability at least once a year or more frequently if indications of impairment emerge. The method used to determine the recoverable amount of goodwill is described in the section "Basis of consolidation" under the heading "Impairment".

The following table sets out goodwill:

(in thousands of euro)	**Carrying amount of goodwill**	
Cash-generating units	**December 31, 2017**	**December 31, 2016**
Private equity	2,994	2,994
E-procurement		16,816
Food packaging	10,308	10,308
Total	**13,302**	**30,118**

Private equity

With reference to the Private equity CGU, goodwill was attributed to the subsidiary Clessidra SGR S.p.A.; an impairment test was carried out in accordance with IAS 36, to determine recoverable amount (equity value) on the basis of the estimated present value of future cash flows.

Recoverable amount was estimated by an independent expert using the value in use configuration, based on the five-year plan provided by the company, which represents the best estimate of Clessidra SGR S.p.A. management.

Said recoverable amount was estimated with the assistance of an independent expert using the value in use configuration based on analytical future cash flow projections taken from 2018 budget data and from the financial and business projections for the period 2019-2022. The present value of future cash flows was computed using a discount rate of 10.87% and, for estimation of the terminal value, an inflation rate of 1.2%. Testing did not generate any goodwill impairment losses.

A 0.5% increase in the discount rate, at the same growth rate, would generate a decrease of 1.3 million euro in incremental value for an impairment loss of 0.8 million euro.

Food packaging

In food packaging, whose scope coincides with the Sirap group, impairment testing verified whether the recoverable amount of each Sirap Gema S.p.A. CGU with allocated goodwill was higher than the respective CGU carrying amount. The test assumed the same level of analytical detail for the CGUs as that adopted by the Sirap group to test goodwill impairment for its own financial statements.

With regard to the first-level impairment test, the goodwill amounts allocated to the individual Sirap group CGUs were as follows:

(in thousands of euro)	Carrying amount of goodwill	
Cash-generating units	**December 31, 2017**	**December 31, 2016**
Petruzalek group CGU	1,589	1,589
Rigid division CGU	8,719	8,719
Total	**10,308**	**10,308**

For all the CGUs with allocated goodwill, recoverable amount was estimated by an independent expert using the value in use configuration, based on analytical future cash flow projections taken from 2018 budget data and from the statement of financial position and profit or loss projections for the period 2019-2022. These analytical projections for each CGU are the best estimates of Sirap Gema S.p.A. management consistently with current strategy and trends and the assumptions underlying the 2018 budget.
The Rigid division CGU, to which approximately 85% of the overall goodwill of the Sirap group had been allocated before the impairment test at December 31, 2017, consists of two lower-level CGUs: the Sirap Gema S.p.A. unit active in rigid containers (Rigid Division Italy CGU) and the Inline Poland CGU (Rigid Poland CGU). The value in use of the net operating assets of the Inline Poland CGU was estimated using cash flow projections, the discount rate and the nominal growth rate in the terminal value expressed in local currency (zloty); the resulting value in use was then translated into euro at the exchange rate at December 31, 2017.

The table below sets out the discount rates (post-tax weighted average cost of capital) and the nominal growth rate used in the terminal value employed to determine value in use of each CGU (data relating to the Inline Poland CGU refers to cash flows in local currency):

in %	Discount rate after tax		Growth rate on terminal value	
Cash-generating units	**2017**	**2016**	**2017**	**2016**
Petruzalek group CGU	9.7	9.5	2.3	2.3
Rigid Division Italy CGU	8.9	7.7	0.9	0.8
Rigid Poland CGU	8.4	9.1	2.5	2.5

The test did not generate any goodwill impairment losses.

With reference to the current and forecast industry situation and to the results of the impairment tests for the year under review, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.
In the packaging sub-segment, at December 31, 2017, a 0.5% increase in WACC, with the same growth rate, in the Rigid division CGU, would determine a decrease of 5.6 million euro in the value of the CGU without generating an impairment loss.

Market capitalization

During the year, Italmobiliare S.p.A. recorded an increase in market capitalization with respect to December 31, 2016, largely as a result of the voluntary public tender offer, the stock split and the transactions completed during the year (acquisition of an interest in the Tecnica group and sale of the BravoSolution group).
There was a decrease in NAV, illustrated in the report on operations, and a reduction in the discount rate between NAV and market capitalization.

We believe however that the difference in the two measurements is a typical element of the current situation, and that the results of the tests, which were also based on external and market parameters, confirm consistency with the equity amounts recognized in the Group consolidated financial statements.

4) Intangible assets

(in thousands of euro)	Patents, IT development	Other intangible assets	Total
Gross amount	66.530	20.800	87.330
Accumulated amortization	(52.865)	(12.484)	(65.349)
Carrying amount at December 31, 2016	**13.665**	**8.316**	**21.981**
Additions	2.288	4.324	6.612
Change in scope of consolidation and other	(8.936)	(11.248)	(20.184)
Amortization and impairment losses	(4.611)	(1.068)	(5.679)
Translation differences	(261)	(323)	(584)
Carrying amount at December 31, 2017	**2.145**	**1**	**2.146**
Gross amount	15.514	424	15.938
Accumulated amortization	(13.369)	(423)	(13.792)
Carrying amount at December 31, 2017	**2.145**	**1**	**2.146**

Software licenses and development expense in e-procurement were the main component of “Patents, IT development” at December 2016 (11,525 thousand euro), and were reduced to zero at December 31, 2017 due to the deconsolidation of the BravoSolution group.
For the same reason the carrying amount of “Other intangible assets” was reduced to zero during 2017.

5) Equity-accounted investees

See the section on IFRS 7.

6) Other equity investments

See the section on IFRS 7.

7) Trade receivables and other non-current assets

See the section on IFRS 7.

Current assets

8) Inventories

The balance on “Inventories” was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Raw materials, consumables and supplies	13,781	10,030	3,751
Work in progress and semifinished goods	6,345	6,775	(430)
Finished goods	20,069	18,552	1,517
Payments on account	399	396	3
Total	**40,594**	**35,753**	**4,841**

Inventories are carried net of allowances totaling 3,113 thousand euro (2,978 thousand euro at December 31, 2016) mainly against the risk of slow-moving supplies, spare parts and other consumables.
Spare parts at December 31, 2017 were carried at 606 thousand euro (340 thousand euro at December 31, 2016).

9) Trade receivables

See the section on IFRS 7.

10) Other current assets including derivatives

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Amounts due from employees and social security authorities	272	1,947	(1,675)
Indirect tax credits	3,548	3,107	441
Prepaid expenses	1,016	3,340	(2,324)
Accrued income	201	443	(242)
Short-term derivatives	2,827	8,005	(5,178)
Other amounts due from banks and financial instruments	8,059	8,634	(575)
Other receivables	17,038	9,249	7,789
Total	**32,961**	**34,725**	**(1,764)**

Details on “Short-term derivatives” are provided in the section on IFRS 7 (Derivatives).
The change in “Other receivables” arose largely from the amount due from the purchaser of the BravoSolution group.

11) Tax assets

Tax assets totaled 7,893 thousand euro (9,291 thousand euro at December 31, 2016) and consisted largely of tax credit assets.
The main changes concerned credits for advance payments at Italgen S.p.A. and the deconsolidation of the BravoSolution group.

12) Equity investments, bonds and loan assets

See the section on IFRS 7.

13) Cash and cash equivalents

See the section on IFRS 7.

14) Assets held for sale

This caption includes a property reclassified from “Property, plant and equipment” and a building reclassified from “Investment property”, the sale contract for which was signed in January 2018.

Equity and liabilities

Share capital, reserves and retained earnings

15) Share capital

At December 31, 2017, the parent's fully paid-up share capital amounted to 100,166,937 euro represented by 47,633,800 no par ordinary shares, after execution of the 1:2 stock split assigning two ordinary shares to each ordinary share, as approved by the shareholders in their extraordinary meeting of April 19, 2017.

Number of shares	December 31, 2017	December 31, 2016	Change
Ordinary shares	47,633,800	23,816,900	23,816,900
Savings shares			
Total	**47,633,800**	**23,816,900**	**23,816,900**

16) Reserves

Share premium
The share premium stood at 177,191 thousand euro, unchanged from December 31, 2016.

17) Treasury shares

At December 31, 2017, treasury shares in portfolio stood at 134,608 thousand euro. The increase from December 31, 2016 arose from the stock split described above, the uptake of the voluntary public tender offer and the exercise of stock options by some senior managers. Treasury shares were as follows:

	N° ordinary shares	Carrying amount (000 euro)	N° savings shares	Carrying amount (000 euro)	Total carrying amount
At December 31, 2016	**1,748,028**	**34,568**			**34,568**
Increases	3,999,832	100,158			100,158
Decreases	(56,990)	(118)			(118)
At December 31, 2017	**5,690,870**	**134,608**			**134,608**

Ordinary treasury shares in portfolio at December 31, 2017 in part service stock option plans for directors and managers.

Dividends paid

The parent Italmobiliare S.p.A. paid the following ordinary dividends in 2017 and 2016:

	2017 (euro per share)	2016 (euro per share)	2017 (000 euro)	2016 (000 euro)
Ordinary shares	1.000	0.400	22,960	8,532
Savings shares		0.478		7,799
Total dividends			**22,960**	**16,331**

Translation reserve
This reserve reflects differences on the translation of the financial statements of consolidated foreign operations. At December 31, 2017, the balance on the reserve was negative, at 7,601 thousand euro, referring to the currencies of the following countries:

(in millions of euro)	December 31, 2017	December 31, 2016	Change
Egypt (Pound)	(4.5)	(4.2)	(0.3)
USA and Canada (Dollar)	0.2	0.6	(0.4)
Morocco (Dirham)		0.2	(0.2)
Ukraine (Hryvnia)	(2.3)	(2.0)	(0.3)
Poland (Zloty)	(0.4)	(1.1)	0.7
Other countries	(0.6)	1.4	(2.0)
Net amount	**(7.6)**	**(5.1)**	**(2.5)**

18) Non-controlling interests

Equity attributable to non-controlling interests at December 31, 2017 amounted to 359 thousand euro, down by 8,853 thousand euro from December 31, 2016, largely as a result of the deconsolidation of the BravoSolution group.

The decrease in the translation reserve was 1,044 thousand euro (a decrease of 55 thousand euro in 2016), as a result of the performance of the euro against the currencies in the countries with non-controlling interests. In addition dividends of 2,669 thousand euro were distributed to non-controlling interests.

Non-current and current liabilities

19) Employee benefits

Employee benefits at December 31, 2017 amounted to 9,908 thousand euro (15,196 thousand euro at December 31, 2016).
The Group's main employee benefit plans are described below.

Defined benefit plans
The Group operates pension plans and other long-term benefits

Plans in favor of employees are not funded in the main.

All the other plans envisage payment of a one-off benefit on termination of employment, in some cases before retirement, or payment of a bonus during the period of employment, once a specific length of service has been reached.

With regard to the post-employment benefits for personnel of the Group's Italian companies, liabilities in respect of post-employment benefits accrued and optioned by employees as from 2007 no longer qualify as defined benefit plans. They are treated as quotas of defined contribution plans.

In some companies in Austria, France and Italy, the Group also recognizes liabilities in respect of future commitments, in the form of bonuses payable to employees on the basis of length of service. These liabilities are measured on the basis of actuarial assumptions. Net liabilities for pension plans and post-employment benefit plans are determined with actuarial calculations performed by independent actuaries.

In the tables set out below, the column "Pension plans and other long-term benefits" includes, besides pension plans, post-employment benefits other than medical care, termination benefits and employee length-of-service bonuses.

The movements in defined benefit obligations during the year are shown below:

	Pension plans and other long-term benefits	
(in millions of euro)	**Dec.31, 17**	**Dec.31,16**
Defined benefit obligations at end of previous year	**11.8**	**9.7**
Reclassification to liabilities held for sale		
Service cost:		
current service cost	0.6	0.4
past service cost		(0.6)
Finance costs	0.2	0.2
Cash flows:		
amounts paid by employer	(1.1)	(0.7)
Other significant events:		
(increase)/decrease due to business combinations, investments and disposals	(1.3)	2.8
Changes arising from remeasurement:		
effects due to change in demographic assumptions		0.1
effects due to change in financial assumptions	(0.1)	
experience adjustments (change since previous measurement not in line with assumptions)	(0.5)	(0.1)
Exchange-rate effect		
Closing defined benefit obligations	**9.6**	**11.8**

The movements in plan asset fair values during the year are shown below:

	Pension plans and other long-term benefits	
(in millions of euro)	**Dec.31, 17**	**Dec.31,16**
Fair value of plan assets at end of previous year		
Reclassification to liabilities held for sale		
Finance income		
Cash flows:		
contributions paid by employer:		
payments made directly by employer	1.1	0.7
benefits paid by employer	(1.1)	(0.7)
Closing defined benefit obligations		

The net liability arising from defined benefit obligations recognized in the statement of financial position is shown below:

	Pension plans and other long-term benefits	
(in millions of euro)	**Dec.31, 17**	**Dec.31,16**
Plans for defined benefit obligations	9.6	11.8
Fair value of plan assets		
Carrying amount of funded plans	**9.6**	**11.8**
Effect of cap on interest-bearing assets/liabilities (excluding finance income)		
Carrying amount of liabilities/(assets)	**9.6**	**11.8**

The components of cost of services of defined benefit plans are set out below:

	Pension plans and other long-term benefits	
(in millions of euro)	**Dec.31, 17**	**Dec.31,16**
Service cost:		
current service cost	0.6	0.4
past service cost		(0.6)
Total service cost	**0.6**	**(0.2)**
Net finance costs:		
finance costs on defined benefit plans	0.1	0.2
Total net finance costs	**0.1**	**0.2**
Effect of new treatment on other long-term benefits	0.1	(0.1)
Administrative expense and tax		
Defined benefit plan costs reflected in income statement	**0.8**	**(0.1)**
Gains (losses) reflected in other comprehensive income:		
effects due to change in demographic assumptions		0.1
effects due to change in financial assumptions	(0.1)	0.1
experience adjustments (change since previous measurement not in line with assumptions)	(0.5)	(0.1)
Total gains (losses) reflected in other comprehensive income	**(0.6)**	**0.1**
Total defined benefit plan costs reflected in the income statement and in other comprehensive income	**0.2**	**0.0**

Service cost is a component of “Personnel expenses”, while net finance costs are recognized under “Finance costs”; gains and losses on remeasurement are reflected in other comprehensive income (expense).

The movements in the net liability for defined benefit obligations during the year are shown below:

(in millions of euro)	Pension plans and other long-term benefits Dec.31, 17	Dec.31,16
Defined benefit plan net liabilities (assets) at end of previous year	**11.8**	**9.7**
Reclassification to liabilities held for sale		
Defined benefit plan costs reflected in income statement	0.8	(0.1)
Total gains (losses) reflected in other comprehensive income	(0.6)	0.1
Other significant events:		
net transfers (including effects of business combinations/sales)	(1.3)	2.8
Cash flows:		
benefits paid directly by employer	(1.1)	(0.7)
Closing defined benefit obligations	**9.6**	**11.8**

Distribution of defined benefit obligations among plan participants:

(in millions of euro)	Pension plans and other long-term benefits Dec.31, 17	Dec.31,16
Employees on payroll	9.6	11.8
Former employees with unvested right		
Retirees		
Closing defined benefit obligations	**9.6**	**11.8**

Actuarial assumptions

The actuarial assumptions used to determine obligations arising from the Group's pension plans and other long-term benefits are set out below:

(in %)	Europe 2017	2016
Inflation rate	0.00 – 1.50	0.00 – 1.50
Future wage and salary increases	2.00 – 2.84	2.00 – 2.50

Discount rates:

Discount rate in %	2017	2016
Europe		
Italy	1.73	1.54
France	1.30	1.40
Austria	1.75	1.75

The discount rate was determined by reference to market yields on high-quality corporate bonds, using the market yields on government bonds.

Future cash flows

The table below sets out expected plan contributions for next year and a year-by-year breakdown of benefit payments:

(in millions of euro)	Pension plans and other long-term benefits Dec. 31, 2017
Expected plan contributions for next year	0.3
Benefit payment maturities:	
2017	0.3
2018	0.2
2019	0.4
2020	0.3
2021	0.2
2022-2025	2.1
Total	**3.8**

Sensitivity analysis

The table below sets out the sensitivity analysis for the key assumptions at December 31, 2017:

(in millions of euro)	Pension plans and other long-term benefits	
Change	-0.25%	+0.25%
Discount rate	11.2	10.6
Average duration of defined benefit obligation (in years)	13.0	12.8
Inflation rate	9.7	10.1
Wage and salary increases	10.8	11.0

Termination plans

At December 31, 2017, provisions for termination plans totaled 106 thousand euro (126 thousand euro at December 31, 2016).

Stock options

The Group has arranged stock option plans for directors and managers who hold specific posts in Italmobiliare S.p.A..

The stock options granted by the parent Italmobiliare S.p.A. refer to ordinary shares: they may be exercised between the beginning of the fourth year and the end of the tenth year after the grant date. Directors whose term of office is not renewed may exercise their options immediately, and in any case within ten years of the grant date. As a general rule, unexercised stock options assigned to managers are not recognized in the event of termination of employment in the Group, except in the case of retirement.

Stock options are exercised at a rate of one share per option.

The terms and conditions of Italmobiliare S.p.A. stock option plans at December 31, 2017, are set out below:

Grant date	No. of options granted *	Exercise period	Exercised options	Canceled options	Unexercised options	Unit subscription price *
March 28, 2008	248,400	3/28/2011 - 3/27/2018			248,400	€ 29.9540
March 25, 2009	38,700	3/25/2012 - 3/24/2019	25,800		12,900	€ 10.2630
March 24, 2010	248,770	3/24/2013 - 3/23/2020	62,270		186,500	€ 14.4170
March 30, 2011	225,800	3/30/2014 - 3/29/2021	59,500		166,300	€ 13.7350
Total	**761,670**		**147,570**	**-**	**614,100**	

* As a result of the stock split, the number of options granted doubled and the unit subscription price halved.

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The table below sets out the number and average exercise price of stock options in the years in question:

	2017		2016	
	Number of options	Average subscription price	Number of options	Average subscription price
Unexercised options at beginning of year	**916,048**	**€ 25.7238**	**595,044**	**€ 53.4390**
Exercised during year	(56,990)		(27,140)	
Expired during year	(244,958)		(109,880)	
Unexercised options at end of year	**614,100**	**€ 21.0642**	**458,024**	**€ 51.4477**
Vested options at end of year	**614,100**		**458,024**	

The average ordinary share price in 2017 was 23.787 euro (16.1033 euro in 2016).
The weighted average residual life of unexercised options is 11 months.
The option exercise price at December 31, 2017 was between 10.263 euro and 29.954 euro.
Only options granted after November 7, 2002, that had not vested at December 31, 2003, were measured and recognized at the date of transition to the IFRS.

No costs relating to stock options were recognized under "Personnel expenses" in 2017.

Stock option plan fair value at the grant date is estimated using a binomial model that takes dividends into account. The total option term is ten years. Volatility projections assume that past volatility, computed as the annual average on a past period of three years net of extraordinary events, is indicative of future trends.
No other stock option plan feature is taken into consideration when measuring fair value.

The following table sets out the assumptions used and results obtained in measuring stock options:

	2010 Plan	2009 Plan	2008 Plan	2007 Plan
Option value at grant date	8.81	9.28	3.78	17.21
Share value	28.39	31.10	21.59	65.10
Exercise price	27.469	28.834	20.526	59.908
Volatility in %	26.2%	24.3%	25.0%	17.5%
Option term (years)	10.00	10.00	10.00	10.00
Dividends in %	3.01%	2.75%	7.41%	2.23%
10-year BTP risk-free rate	4.775%	3.920%	4.485%	3.889%

20) Non-current and current financial liabilities and bank loans and borrowings

See the section on IFRS 7.

21) Provisions

Non-current and current provisions totaled 77,571 thousand euro at December 31, 2017, a decrease of 22,162 thousand euro from December 31, 2016.

(in thousands of euro)	Opening amount	Additions	Decreases	Reversed unused amounts	Other changes	Total changes	Closing amount
Environmental restoration	689		(189)			(189)	500
Disputes	54,344	765	(3,277)		(22)	(2,534)	51,810
Other provisions	44,700	2,734	(20,646)	(1,114)	(413)	(19,439)	25,261
Total	**99,733**	**3,499**	**(24,112)**	**(1,114)**	**(435)**	**(22,162)**	**77,571**
Non-current portion	98,889						76,919
Current portion	844						652
Total	**99,733**						**77,571**

“Disputes” largely reflects provisions for tax risks deemed probable as a result of tax audits and adjustments to tax returns, provisions relating to antitrust proceedings and provisions for disputes with employees.
“Other provisions” reflects amounts provided in connection with contractual and commercial liabilities.

22) Deferred tax assets and deferred tax liabilities

Total deferred tax liabilities net of deferred tax assets amounted to 327 thousand euro at December 31, 2017, as follows:

(in thousands of euro)	December 31, 2016	Profit (loss)	Other changes	December 31, 2017
Benefit on tax loss carryforwards	14,195	(761)	(924)	12,510
Property, plant and equipment	(3,909)	765	(11)	(3,155)
Other equity investments	(31,425)		18,957	(12,468)
Inventories	522	50		572
Finance liabilities	(304)	86		(218)
Non-current provisions and Employee benefits	1,270	13	(1,640)	(357)
Others	3,996	(315)	(892)	2,789
Total	**(15,655)**	**(162)**	**15,490**	**(327)**
of which:				
Deferred tax assets	19,868			16,198
Deferred tax liabilities	(35,523)			(16,525)
Total	**(15,655)**			**(327)**

At December 31, 2017 equity reserves reflected net deferred tax assets of 13,305 thousand euro (net deferred tax assets of 32,191 thousand euro at December 31, 2016). The decrease was largely due to the adjustment to the deferred tax rate on the fair value reserve for available-for-sale equity investments qualifying for "Participation exemption" as from 2017.
Unrecognized deferred tax relating to losses for the year and previous years amounted to 12,425 thousand euro (24,002 thousand euro at December 31, 2016); the amount referred to Group company losses the reversal of which is not considered probable today.

23) Trade payables

See the section on IFRS 7.

24) Tax liabilities

Tax liabilities amounted to 323 thousand euro (2,805 thousand euro at December 31, 2016) and reflected amounts due to tax authorities for income taxes accrued in the year.

25) Other liabilities

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Due to employees	7,342	20,832	(13,490)
Due to social security authorities	4,724	7,923	(3,199)
Due to tax authorities	4,600	7,022	(2,422)
Accrued expenses and deferred income	2,772	22,913	(20,141)
Derivatives	3,964	10,932	(6,968)
Amounts due to private equity and banking arm	8,287	7,414	873
Advances from customers	1,392	531	861
Due to suppliers for non-current assets	1,353	1,894	(541)
Other liabilities	3,170	5,074	(1,904)
Total	**37,604**	**84,535**	**(46,931)**

Commitments

(in millions of euro)	December 31, 2017	December 31, 2016
Collateral given	3.4	3.4
Deposits, guarantees, sureties, commitments and other	211.3	261.5
Total	**214.7**	**264.9**

The decrease in commitments arose after the deconsolidation of the BravoSolution group.

The second item includes guarantees provided by Italmobiliare S.p.A. in favor of subsidiaries and guarantees provided in connection with the ongoing proceeding with the European Commission on breaches of competition laws. The usual guarantees are provided on the sale of equity investments.

The Tecnica Group S.p.A. shares acquired during the year have been pledged as guarantees for bank loans granted to Tecnica Group S.p.A.

Commitments include a residual amount of 66.4 million euro (76.6 million euro at December 31, 2016) for subscription of private equity funds.

Income statement

26) Revenue and income

Revenue from sales and services and income totaled 507,625 thousand euro, as follows:

(in thousands of euro)	2017	2016	Change	% change
Industrial revenue				
Product sales	206,994	207,543	(549)	-0.3%
Services provided	108,817	135,798	(26,981)	-19.9%
Other revenue	138	43	95	n.s.
Total	**315,949**	**343,384**	**(27,435)**	**-8.0%**
Financial revenue				
Interest	1,796	2,119	(323)	-15.2%
Dividends	14,736	6,839	7,897	n.s.
Gains realized and other revenue	157,194	89,798	67,396	75.1%
Commissions	16,309	7,319	8,990	n.s.
Total	**190,035**	**106,075**	**83,960**	**79.2%**
Revenue other activities				
Interest	1,489	1,533	(44)	-2.9%
Other revenue	152	36	116	n.s.
Total	**1,641**	**1,569**	**72**	**4.6%**
Grand total	**507,625**	**451,028**	**56,597**	**12.5%**

The reduction in “Services provided” arose largely in the Energy sub-segment, specifically as a result of the change in the customer mix in the 2017 sales portfolio, the rise in sales volumes to wholesalers and the simultaneous reduction in sales volumes to end customers, which made it possible to reduce expense for vectoring services, and also the decrease in purchase/sale of energy not used by Italcementi (interconnector operations).
“Gains realized and other revenue” includes the net gain of 97,601 thousand euro on the sale of the BravoSolution group (71,769 thousand euro on HeidelbergCement shares in 2016 arising from the distribution to shareholders).

27) Raw materials and supplies

Raw materials and supplies amounted to 136,159 thousand euro, as follows:

(in thousands of euro)	2017	2016	Change	% change
Raw materials and semifinished goods	61,539	54,123	7,416	13.7%
Fuel	420	371	49	13.2%
Materials and machinery	7,565	8,311	(746)	-9.0%
Finished goods	44,928	42,906	2,022	4.7%
Electricity, gas and water	26,404	41,979	(15,575)	-37.1%
Change in inventories of raw materials, consumables and other	(4,697)	(51)	(4,646)	n.s.
Total	**136,159**	**147,639**	**(11,480)**	**-7.8%**

The reduction in “Electricity, gas and water” arose as a result of the reduction in “Services provided” shown under Revenue and income, due to lower expense for vectoring services and the decrease in interconnector operations.

28) Services

Services amounted to 67,880 thousand euro, as follows:

(in thousands of euro)	2017	2016	Change	% change
External services and maintenance	12,590	9,910	2,680	27.0%
Transport	13,313	13,618	(305)	-2.2%
Legal fees and consultancy	16,178	22,950	(6,772)	-29.5%
Rents	11,069	10,467	602	5.8%
Insurance	2,140	2,850	(710)	-24.9%
Subscriptions	294	196	98	50.0%
Other expense	12,296	12,230	66	0.5%
Total	**67,880**	**72,221**	**(4,341)**	**-6.0%**

“Other expense” consisted largely of commission expense on trading activities, communication and marketing expense, and entertainment expense, mainly relating to the Group industrial companies.

29) Personnel expenses

Personnel expenses totaled 139,537 thousand euro, as follows:

(in thousands of euro)	2017	2016	Change	% change
Wages and salaries	98,424	108,281	(9,857)	-9.1%
Social security contributions	27,729	31,426	(3,697)	-11.8%
Other expense	13,384	11,079	2,305	20.8%
Total	**139,537**	**150,786**	**(11,249)**	**-7.5%**

“Other expense” related mainly to costs of temporary personnel, canteen costs, employee insurance costs, travel costs and personnel training and recruitment costs.

The number of employees is shown below:

(headcount)	2017	2016	Change
Number of employees at year end	1,417	2,067	(650)
Average number of employees	2,078	2,038	40

The change in the number of employees at the end of the year was due to the deconsolidation of the BravoSolution group (658 employees at December 31, 2016).

30) Other operating (income) and expense

Other operating expense net of other operating income amounted to 31,739 thousand euro, as follows:

(in thousands of euro)	2017	2016	Change	% change
Other taxes	5,057	8,944	(3,887)	-43.5%
Allowance for impairment	855	937	(82)	-8.8%
Interest expense and other expense for financial and banking companies	29,263	19,406	9,857	50.8%
Accruals to provisions and other expense	3,945	5,212	(1,267)	-24.3%
Miscellaneous income	(4,692)	(8,654)	3,962	-45.8%
Net losses (gains) on the sale of non-current assets	(4)	34	(38)	n.s.
Personnel expense for re-organizations	50	58	(8)	-13.8%
Other (income) expense	(2,735)	10,267	(13,002)	n.s.
Total	**31,739**	**36,204**	**(4,465)**	**-12.3%**

"Interest expense and other expense for financial and banking companies" includes expense of 11,250 thousand euro of impairment losses on trading securities (1,238 thousand euro in 2016). The change in "Other (income) expense" was due to a reduction in amounts set aside to provisions for risks (9,572 thousand euro in 2016).

31) Amortization and depreciation

The total amount of 18,988 thousand euro (19,989 thousand euro in 2016) reflects depreciation of property, plant and equipment for 12,949 thousand euro (12,606 thousand euro in 2016), depreciation of investment property for 360 thousand euro (276 thousand euro in 2016) and amortization of intangible assets for 5,679 thousand euro (7,107 thousand euro in 2016).

32) Impairment losses on non-current assets

No impairment losses were applied to non-current assets in 2017 (316 thousand euro in 2016).

33) Finance income (costs), exchange-rate differences and net gains (losses) on derivatives

Net finance costs amounted to 6,340 thousand euro, as follows:

	2017		2016	
(in thousands of euro)	Income	Costs	Income	Costs
Interest income	465		150	
Interest expense		(2,027)		(2,375)
Dividends and gains (losses) from equity investments		(348)		(3)
Other finance income	16		14	
Other finance costs		(1,732)		(1,699)
Total finance income (costs)	**481**	**(4,107)**	**164**	**(4,077)**
Gains/(losses) on interest-rate derivatives			1	
Net exchange-rate differences		(2,714)		(1,655)
Exchange-rate differences and net gains (losses) on derivatives		**(2,714)**		**(1,654)**
Total finance income (costs), exchange-rate differences and net gains (losses) on derivatives		**(6,340)**		**(5,567)**

“Other finance costs” includes net finance costs of 16 thousand euro on employee defined benefit plans (24 thousand euro in 2016).

34) Impairment losses on financial assets

(in thousands of euro)	2017	2016	Change	% change
SES		8,043	(8,043)	n.s.
Unicredit		7,038	(7,038)	n.s.
Sesaab		4,545	(4,545)	n.s.
Banca Leonardo		2,498	(2,498)	n.s.
Unicredit Cashes		2,475	(2,475)	n.s.
Coima Res		1,447	(1,447)	n.s.
035 Investimenti		63	(63)	n.s.
Other	21	123	(102)	-82.9%
Total	**21**	**26,232**	**(26,211)**	**n.s.**

35) Share of profit (loss) of equity-accounted investees

(in thousands of euro)	2017	2016	Change	% change
SES (Italy)		(513)	513	-100.0%
I.FotoGuiglia	96	31	65	209.7%
Gardawind	348	(27)	375	-1388.9%
Tecnica group	(198)		(198)	n.s.
Total	**246**	**(509)**	**755**	**-148.3%**

36) Income tax expense

Income tax expense for the period was 6,328 thousand euro, as follows:

(in thousands of euro)	2017	2016	Change	% change
Current tax	4,499	9,937	(5,438)	-54.7%
Prior-year tax and other prior-year tax items	(145)	(1,221)	1,076	-88.1%
Deferred tax	1,884	9,513	(7,629)	-80.2%
Tax from change in tax rate		326	(326)	-100.0%
Total	**6,238**	**18,555**	**(12,317)**	**-66.4%**

In Italy, the IRES tax rate applied by the Italian companies on estimated taxable profit for the year was 24% (27.5% in 2016). Taxes for Group companies in other countries are calculated using local tax rates.
The reconciliation between the tax charge reflected in the income statement and the theoretical tax charge does not consider IRAP, since IRAP uses a taxable base other than profit before tax.

The reconciliation between the theoretical tax charge and the tax charge reflected in the income statement is set out below:

(in thousands of euro)		2017
Consolidated profit before tax relating to continuing operations		**121,484**
Current IRES tax rate		24.0%
Theoretical tax charge		**(29,156)**
Effect of tax rate reduction for tax relief/allowances		
Tax effect on permanent differences		
- foreign dividends and other exempt income and non-deductible costs		36,236
Net effect for the year of unrecognized deferred taxes on temporary differences (*)		(9,709)
Recovery of deferred assets not recognized in previous years on deductible temporary differences and/or tax losses		4
Effect of change in tax rates		
Withholdings on foreign dividends		(900)
Effect of estimate adjustments and/or recognition of previously unrecognized deferred tax		
Effect of difference between Italian and foreign tax rate (**)		(1,256)
Other taxes		(230)
Effective income tax charge	**4.1%**	**(5,011)**
Effective IRAP tax charge		(760)
Other components not related to income for the year		(467)
Total income tax relating to continuing operations	**5.1%**	**(6,238)**

(*) Refers mainly to unrecognized deferred tax assets on losses for the year in Italy.
(**) The difference between the Italian tax rate and the rates in the foreign countries where the Group operates refers mainly to France, Morocco, Egypt and the USA.

37) Profit (loss) relating to discontinued operations, net of tax effects

This caption is analyzed below:

(in thousands of euro)	2017	2016	Change	% change
Profit (loss) of discontinued construction materials segment, net of tax effect		(346,265)	346,265	-100.0%
Reversal of first half year amortization, depreciation and impairment losses in discontinued construction materials segment, net of tax effect		334,946	(334,946)	-100.0%
Reversal of infragroup postings		(1,737)		
Profit (loss) of banking segment, net of tax effect				
Gain on discontinued banking segment				
Reclassification of comprehensive income items		(47,560)	47,560	-100.0%
Net gain on discontinued construction materials segment		142,242	(142,242)	-100.0%
Total		**81,626**	**(81,626)**	**n.s.**

With regard to “Profit (loss) relating to discontinued operations” for 2016, the reader is referred to last year's note detailing the effects of the sale of the Italcementi group.

38) Other comprehensive income

(in thousands of euro)	Gross amount	Income tax expense	Net amount
Fair value gains on:			
Available-for-sale financial assets	37,924	18,992	56,916
Derivatives	85		85
Translation differences	(1,379)		(1,379)
Actuarial gains on defined benefit plans	541		541
Other comprehensive income	**37,171**	**18,992**	**56,163**

39) Earnings per share

Earnings per share at December 31, 2017 and 2016 are determined on the parent's profit (loss) for the respective years and stated separately for savings shares (for 2016 only) and for ordinary shares (for both 2017 and 2016). The figures for ordinary shares in 2016 have been re-computed to take account of the stock split in 2017.

Basic earnings per share

The weighted average number of shares and attributable profit (loss) are shown below:

	2017		2016	
(no shares in thousands)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
No. shares at January 1	47,634		44,366	16,343
Treasury shares at January 1	(1,677)		(1,706)	(28)
Weighted average number of treasury shares sold in the year	(2,291)		1,052	(16,315)
Total	**43,666**		**43,712**	
Attributable profit in thousands of euro	114,972		56,974	
Basic earnings per share	2.632		1.303	

Profit attributable by share category was determined as follows:

	2017		2016	
(in thousands of euro)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Profit reserved for savings shareholders (euro 0.078 per share)				
Residual earnings apportioned to all shares	114,972		56,974	
Total	**114,972**		**56,974**	

Diluted earnings per share

Diluted earnings (losses) per share are computed in the same way as basic earnings (losses) per share, taking account of the dilutive effect of stock options.

The weighted average number of shares and attributable profit (loss) are shown below:

	2017		2016	
(thousands of shares)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares at December 31	43,685		43,712	
Dilutive effect of stock options	151		58	
Total	**43,836**		**43,770**	
Attributable profit for diluted earnings per share in thousands of euro	114,972		56,974	
Diluted earnings per share in euro	2.623		1.301	

Profit attributable by share category was determined as follows:

	2017		2016	
(in thousands of euro)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Profit reserved for savings shareholders (euro 0.078 per share)				
Residual profit apportioned to all shares	114,972		56,974	
Total	**114,972**		**56,974**	

Basic earnings (losses) per share relating to continuing operations are set out below:

	2017		2016	
(n° shares in thousands)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
No. shares at January 1	47,634		44,366	16,343
Treasury shares at January 1	(1,657)		(1,706)	(28)
Weighted average number of treasury shares sold in the year	(2,291)		1,088	(16,315)
Total	**43,686**		**43,748**	
Attributable earnings (losses) relating to continuing operations in thousands of euro	114,972		(7,321)	
Basic earnings (losses) per share relating to continuing operations in euro	2.632		(0.168)	

Diluted earnings (losses) per share relating to continuing operations are set out below:

	2017		2016	
(thousands of shares)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares at December 31	43,685		43,748	
Dilutive effect of stock options	151		58	
Total	**43,836**		**43,806**	
Attributable earnings (losses) relating to continuing operations for diluted earnings per share in thousands of euro	114,972		(7,321)	
Diluted earnings (losses) per share in euro	2.623		(0.168)	

Basic earnings per share relating to discontinued operations are set out below:

	2017		2016	
(n° shares in thousands)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
N° shares at January 1			44,366	16,343
Treasury shares at January 1			(1,706)	(28)
Weighted average number of treasury shares sold in the year			1,088	(16,315)
Total			**43,748**	
Distributable earnings relating to discontinued operations in thousands of euro			64,295	
Basic earnings per share relating to discontinued operations in euro			1.471	

Diluted earnings per share relating to discontinued operations are set out below:

	2017		2016	
(thousands of shares)	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares at December 31			43,748	
Dilutive effect of stock options			58	
Total			**43,806**	
Attributable earnings relating to discontinued operations for diluted earnings per share in thousands of euro			64,295	
Diluted earnings per share relating to discontinued operations in euro			1.469	

IFRS 7

Net financial position

The net financial position at December 31, 2017 was as follows:

(in thousands of euro)	Statement of financial position caption	Non NFP	NFP	Current assets	Current liabilities	Non-current assets	Non-current liabilities
Trade receivables and other non-current assets	160,096	101,173	58,923	81		58,842	
Other current assets including derivatives	32,961	22,075	10,886	10,886			
Equity investments, bonds and loan assets	320,372		320,372	320,372			
Cash and cash equivalents	217,870		217,870	217,870			
Non-current financial liabilities	(46,622)		(46,622)				(46,622)
Other liabilities	(2,669)	(2,669)					
Current bank loans and borrowings	(14,640)		(14,640)		(14,640)		
Current financial liabilities	(39,759)		(39,759)		(39,759)		
Other liabilities	(37,604)	(25,353)	(12,251)		(12,251)		
Total	**590,005**	**95,226**	**494,779**	**549,209**	**(66,650)**	**58,842**	**(46,622)**

The net financial position at December 31, 2017 amounted to 494,779 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Current financial assets	**549,209**	**597,866**	**(48,657)**
Cash and cash equivalents	217,870	285,505	(67,635)
Derivatives - assets	2,827	8,005	(5,178)
Other current financial assets	328,512	304,356	24,156
Current financial liabilities	**(66,650)**	**(73,745)**	**7,095**
Bank loans and borrowings	(14,640)	(28,247)	13,607
Current financial liabilities	(48,046)	(34,566)	(13,480)
Derivatives - liabilities	(3,964)	(10,932)	6,968
Non-current financial assets	**58,842**	**47,249**	**11,593**
Non-current financial assets	58,842	47,249	11,593
Non-current derivatives			
Non-current financial liabilities	**(46,622)**	**(77,909)**	**31,287**
Non-current financial liabilities	(46,622)	(77,909)	31,287
Non-current derivatives			
Total net financial position	**494,779**	**493,461**	**1,318**

The net financial position at December 31, 2017, computed in compliance with Consob communication no. DEM/6064293 of July 28, 2006 (i.e., not including non-current financial assets) amounted to 435,937 thousand euro (446,212 thousand euro at December 31, 2016).

Comparison between fair value and carrying amount

The table below compares the carrying amount and the fair value of financial assets and liabilities at December 31, 2017 and 2016:

(in thousands of euro)	December 31, 2017 Carrying amount	December 31, 2017 Fair value	December 31, 2016 Carrying amount	December 31, 2016 Fair value
Financial assets				
Assets at fair value through profit or loss				
Cash and cash equivalents	217,870	217,870	285,505	285,505
Current derivatives	*2,827*	*2,827*	*8,005*	*8,005*
Banking derivatives				
Non-current derivatives				
Derivatives	2,827	2,827	8,005	8,005
Current equity investments, bonds and loan assets	320,372	320,372	295,530	295,530
Banking and other receivables	9,388	9,388	10,641	10,641
Loans and receivables				
Trade receivables	61,911	61,911	101,883	101,883
Receivables and other non-current assets	160,096	160,096	114,866	114,866
Available-for-sale assets				
Other non-current equity investments	610,429	610,429	662,078	662,078
Held-to-maturity investments				
Total	**1,382,893**	**1,382,893**	**1,478,508**	**1,478,508**
Financial liabilities				
Trade payables	63,143	63,143	53,933	53,933
Current financial liabilities	*54,399*	*54,399*	*55,399*	*55,399*
Other financial liabilities	*8,287*	*8,287*	*7,414*	*7,414*
Total current financial liabilities	62,686	62,686	62,813	62,813
Derivatives	3,964	10,932	10,932	10,932
Non-current financial liabilities	46,622	46,622	77,909	77,909
Total	**176,415**	**183,383**	**205,587**	**205,587**

Trade receivables and payables are current assets and liabilities and are carried at amounts that are reasonable approximations of their fair value.
Derivatives are measured and recognized at fair value.
The fair value of foreign-currency assets and liabilities is determined using the closing rates. The fair value of fixed-rate assets and liabilities is determined using a fixed rate with no credit margin, net of transaction costs directly attributable to the financial assets and financial liabilities.

Fair Value – hierarchy

In determining and documenting the fair value of financial instruments, the Group uses the following hierarchy based on different measurement methods:

- level 1: financial instruments with prices quoted on active markets;
- level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;
- level 3: fair value determined with measurement methods where no significant input is based on observable market data.

Information on the fair value of financial assets and financial liabilities not measured at fair value is excluded, when carrying amount is a reasonable approximation of fair value.

At December 31, 2017, financial instruments measured at fair value were as follows:

(in thousands of euro)	December 31, 2017	Level 1	Level 2	Level 3
Cash and cash equivalents				
Derivatives - assets	2,827	20	2,807	
Equity investments, bonds and loan assets	310,277	128,380	178,186	3,711
Banking and other receivables	1,329			1,329
Receivables and other non-current assets	126,543		6,876	119,667
Non-current equity investments	610,429	541,772	19,888	48,769
Current financial liabilities	54,314		54,314	
Derivatives - liabilities	3,964	46	3,918	
Non-current financial liabilities	46,409		46,409	

	Level 3	Increases						Decreases							Level 3
(in thousands of euro)	12/31/2016	Purchases	Gains in income statement	Other gains in income state-ment	Gains in equity	Other changes	Transfers from other levels	Sales	Repay-ments	Losses in income statement	Other losses in income statement	Losses in equity	Other changes	Transfers to other levels	12/31/2017
Equity investments, bonds and loan assets	13,348	340			2,690			(471)	(653)		(129)	(347)		(11,067)	3,711
Banking and other receivables	2,007	133		1,029					(1,840)						1,329
Receivables and other non-current assets	84,647	21,998			30,152			(4,015)	(36,767)		(89)	(213)	(417)	24,371	119,667
Non-current equity investments	37,064	38,713			1,085	8		(17)	(1,460)		(368)	(1,885)		(24,371)	48,769

No reclassifications from categories measured at fair value to categories measured at amortized cost were made in the year under review or in the previous year, in the Group financial asset portfolio.

The fair value of level 3 non-current equity investments was estimated with reference to market multiples and, where possible, comparable transactions.

Cash and cash equivalents

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Cash and checks in hand	269	229	40
Bank and postal accounts	217,601	285,251	(67,650)
Current bonds		25	(25)
Net amount	**217,870**	**285,505**	**(67,635)**

Cash and cash equivalents are also shown under “Cash and cash equivalents at the end of the year” on the statement of cash flows.

Derivatives

The method adopted by the Group to determine the impact of credit/counterparty risk on its measurements at the reporting date applies a default probability to each flow in order to incorporate the adjustment for credit/counterparty risk into the measurement.
Default probabilities are computed using secondary bond market data through calculation of the implicit “credit default swaps” (CDS).
The loss given default (LGD) is set at 60% in line with market standards.

The table below shows the fair value of the financial instruments recognized in the statement of financial position, subdivided by type of hedge:

	December 31, 2017		December 31, 2016	
(in thousands of euro)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest-rate derivatives for trading	20	(46)	131	(326)
Interest-rate derivatives	**20**	**(46)**	**131**	**(326)**
Exchange-rate derivatives				
Derivatives on shares and securities	2,807	(3,918)	7,874	(10,606)
Total short-term instruments	**2,827**	**(3,964)**	**8,005**	**(10,932)**
Interest-rate derivatives				
Exchange-rate derivatives				
Total long-term instruments				
Total	**2,827**	**(3,964)**	**8,005**	**(10,932)**

Trading interest-rate derivatives refer to assets that do not qualify for accounting as future cash flow hedges, although they are transacted for that purpose.

Derivatives on equities and securities refer mainly to purchases of put options and sales of call options on HeidelbergCement shares.

Derivatives are stated at fair value, including the impact of the counterparty risk.

Equity investments, bonds and loan assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Trading equities	42,633	35,443	7,190
Trading bonds	26,885	47,470	(20,585)
Funds and other financial instruments	250,759	212,031	38,728
Bank loans and borrowings	95	586	(491)
Net amount	**320,372**	**295,530**	**24,842**

"Funds and other financial instruments" includes the Vontobel Fund at Franco Tosi S.r.l. for 177,960 thousand euro (which includes part of the financial instruments owned by the same company last year for 96,333 thousand euro) and was down from December 31, 2016 as a result of the reimbursement of repurchase agreements for 50,044 thousand euro.
The above fund is an open-ended "Multi Asset Defensive" fund specifically set up by the open-ended investment company (SICAV) Vontobel Fund, resident in Luxembourg, with a conservative risk profile aligned with the company's investment policies, and includes Franco Tosi cash and cash equivalents for approximately 99 million euro. At the assignment date, Franco Tosi was the only subscriber to the fund subject to the supervision of the Luxembourg stock exchange authority and whose NAV is published daily. The fund's financial report is published twice a year at the year end (August 31) and the half-year end (February 28).

Trade receivables

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Gross amount	64,369	110,286	(45,917)
Allowance for impairment	(2,458)	(8,403)	5,945
Total	**61,911**	**101,883**	**(39,972)**

The decrease was largely due to the deconsolidation of the BravoSolution group (46,519 thousand euro at December 31, 2016).

Trade receivables and other non-current assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Non-current receivables	20,295	20,880	(585)
Bonds and funds	36,736	25,216	11,520
Mutual and private equity funds	99,305	64,148	35,157
Guarantee deposits	910	1,734	(824)
Other	2,850	2,888	(38)
Total financial instruments	**160,096**	**114,866**	**45,230**
Other			
Total	**160,096**	**114,866**	**45,230**

The main movements on this caption were:
- the purchase of mutual fund units, bonds and private equity funds, for +30,998 thousand euro;
- the partial reimbursement of private equity funds, for 40,781 thousand euro;
- the reclassification of the BDT and Draper funds, for 24,370 thousand euro;
- the fair value gain of 32,612 thousand euro.

Equity-accounted investees

This caption reflects equity interests in equity-accounted investees. The main equity-accounted investees are listed below:

(in thousands of euro)	Carrying amount December 31, 2017	Carrying amount December 31, 2016	Share of profit (loss) 2017	Share of profit (loss) 2016
Associates				
S.E.S. (Italy)	9,600	8,811		(513)
Tecnica group	43,315		(198)	
Others	250	486	444	4
Total associates	**53,165**	**9,297**	**246**	**(509)**

The data of the main equity-accounted investee adjusted for compliance with Group policies is set out below:

(in thousands of euro)	Società Editrice Sud 2017 *	Società Editrice Sud 2016 *
Revenue	6,145	14,478
Loss for the year	(674)	(1,610)
Other comprehensive income (expense)		
Total comprehensive expense	**(674)**	**(1,610)**
Non-current assets	45,014	48,784
Current assets	13,694	14,181
Non-current liabilities	(5,061)	(4,895)
Current liabilities	(2,843)	(5,142)
Net assets	**50,804**	**52,928**
Equity interest net of treasury shares	**33.7%**	**31.8%**
Equity interest at beginning of year	8,811	17,357
Adjustment for compliance with Group policies		(503)
Additions during the year	789	
Impairment losses		(8,043)
Equity interest at end of year	**9,600**	**8,811**
Dividends received in year		

* at June 30, 2017
** at December 31, 2015

The Tecnica group financial statements as at and for the year ended December 31, 2017 are not yet available.

Other equity investments

This non-current asset caption reflects equity investments classified as “available-for-sale”, as required by IAS 39.

(in thousands of euro)	
At December 31, 2016	**662,078**
Acquisitions	50,651
Sales and repayments	(83,671)
Fair value changes taken to equity reserves	5,783
Other changes	(24,043)
Impairment losses	(369)
At December 31, 2017	**610,429**

The acquisitions referred to the equity investments in Sciquest for 35,000 thousand euro, in Mediobanca for 6,974 thousand euro, in Dokimè for 3,713 thousand euro, in Ideami for 3,000 thousand euro, in Unicredit for 1,213 thousand euro, in Piaggio for 710 thousand euro and in UBI for 41 thousand euro.

The sales referred to the partial sale of shares in HeidelbergCement for 62,121 thousand euro, in Mediobanca for 16,234 thousand euro, in Vontobel for 3,840 thousand euro, in Ambienta for 15 thousand euro, in other companies for 2 thousand euro, the partial reimbursement of Banca Leonardo group for 1,341 thousand euro and of Emittente Titoli for 118 thousand euro.

“Fair value changes taken to equity reserves” related essentially to securities, in Mediobanca S.p.A. for +12,463 thousand euro, Fin Priv S.p.A. for +3,414 thousand euro, Coima Res for +1,000 thousand euro, Banca Leonardo group for +991 thousand euro, HeidelbergCement for -10,616 thousand euro, Emittente Titoli for -1,709 thousand euro.

Impairment losses referred to Tri Alpha Energy for 348 thousand euro, 035 Investimenti for 17 thousand euro and Atmos venture for 4 thousand euro.

“Other changes” referred mainly to the reclassification of the BDT and Draper funds for 24,370 thousand euro under loan assets and other non-current assets.

Other equity investments at December 31, 2017 were as follows:

(in thousands of euro)		Number of shares	December 31, 2017
Investments in listed companies			
HeidelbergCement		4,831,771	436,067
Mediobanca		9,437,720	89,422
Vontobel		115,238	6,056
Coima Res		412,332	3,676
Ideami		300,000	2,919
Unicredit		114,331	1,794
Cairo Communication		189,198	706
Piaggio		269,699	623
UBI		117,142	431
Ideami warrant		60,000	78
	Total		**541,772**
Investments in non-listed companies and funds			
Sciquest TopCo LLC			34,828
Fin Priv			19,888
Banca Leonardo group			5,660
Sesaab			1,982
Dokimé			3,713
Others			37,414
	Total		**68,657**
At December 31, 2017			**610,429**

The fair value of listed companies is determined on the basis of the official share price on the last accounting day. The methods used to measure non-listed equity investments depend on the characteristics of the companies and the data available, in accordance with IAS 39.

Trade payables

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Suppliers	63,143	53,933	9,210
Total	**63,143**	**53,933**	**9,210**

Loans and borrowings

Loans and borrowings are shown below by category, subdivided by current and non-current portion:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Bank loans and borrowings	45,409	77,460	(32,051)
Other loans and borrowings	998		998
Finance lease payables	215	449	(234)
Non-current financial liabilities	**46,622**	**77,909**	**(31,287)**
Total non-current financial liabilities	**46,622**	**77,909**	**(31,287)**
Bank loans and borrowings	14,640	28,247	(13,607)
Current portion of borrowings	38,154	24,503	13,651
Other loans and borrowings	9,441	9,592	(151)
Finance lease payables	85	201	(116)
Accrued interest expense	366	270	96
Bank loans and borrowings and current financial liabilities	**62,686**	**62,813**	**(127)**
Fair value of derivatives	3,964	10,606	(6,642)
Total current financial liabilities	**66,650**	**73,419**	**(6,769)**
Total financial liabilities	**113,272**	**151,328**	**(38,056)**

Non-current loans and borrowings by currency were as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Euro	41,691	76,060	(34,369)
Polish zloty	4,892	1,670	3,222
Hungarian florin		22	(22)
Other	39	157	(118)
Total	**46,622**	**77,909**	**(31,287)**

Non-current loans and borrowings by maturity were as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
2018	19,920	29,012	(9,092)
2019	14,817	22,173	(7,356)
2020	8,195	16,925	(8,730)
2021	1,501	9,408	(7,907)
2022	580	78	502
2022	542		542
Beyond	1,067	313	754
Total	**46,622**	**77,909**	**(31,287)**

Main bank loans, drawings on lines of credit and available lines of credit:

a) on May 18, 2017, a securities-backed floating-rate loan was re-negotiated with Mediobanca for 7,122 thousand euro maturing on September 27, 2018. A total of 120,000 HeidelbergCement AG shares were provided as collateral.

b) Italmobiliare has undrawn uncommitted lines of credit with a number of banks, totaling 208 million euro;

c) in June 2016, Italgen S.p.A. arranged a five-year floating-rate loan with UBI Banca for 10 million euro, maturing on June 26, 2021;

d) in June 2016, Italgen S.p.A. arranged a five-year floating-rate loan with Banco Popolare for 14 million euro, maturing on June 30, 2021;

e) on June 3, 2014, Sirap Gema S.p.A. arranged a loan with Banca Popolare di Bergamo for 5 million euro, expiring on June 3, 2018;

f) on July 31, 2013, Sirap Gema S.p.A. arranged a loan with Unicredit for 5 million euro, expiring on July 31, 2018;

g) on October 30, 2014, Sirap Gema S.p.A. arranged a loan with Banca Intesa for 6 million euro, expiring on December 31, 2019;

h) on December 16, 2014, Sirap Gema S.p.A. arranged a loan with Unicredit for 5 million euro, expiring on December 31, 2019;

i) on March 10, 2015, Sirap Gema S.p.A. arranged a loan with Banca Popolare for 4 million euro, expiring on March 31, 2019;

j) on June 11, 2015, Sirap Gema S.p.A. arranged a loan with Banca Popolare di Bergamo for 4 million euro, expiring on June 11, 2019;

k) on March 21, 2016, Sirap Gema S.p.A. arranged a loan with Banca Popolare di Milano for 5 million euro, expiring on March 31, 2021;

l) on June 9, 2016, Sirap Gema S.p.A. arranged a loan with Banca Popolare di Bergamo for 5 million euro, expiring on June 9, 2021;

m) on July 6, 2016, Sirap Gema S.p.A. arranged a loan with Credito Cooperativo di Brescia for 0.5 million euro, expiring on January 31, 2019;

n) on October 19, 2016, Sirap Gema S.p.A. arranged a loan with Unicredit for 5 million euro, expiring on October 31, 2021;

o) on February 22, 2017, Sirap Gema S.p.A. arranged a loan with Banco BPM for 5 million euro, expiring on March 31, 2021;

p) on July 27, 2017, Sirap Gema S.p.A. arranged a loan with Mediocredito Italiano for 6 million euro, expiring on June 30, 2022.

Notional amount of derivatives

Financial risk management is an integral part of Group asset management, and is conducted by each segment on the basis of the guidelines drawn up with reference to the type of business. The Group uses derivatives to optimize its risk/yield profile.

The notional amount of derivative contracts at December 31, 2017, is set out below, subdivided by operating segment and maturity:

	Notional amounts			
(in millions of euro)	Industrial and services for industry segment	Financial and private equity segment	Other activities	Total
Derivatives on interest rates				
Derivatives on exchange rates				
Derivatives on equities		240.8		240.8
Derivatives on indices		2.5		2.5
Derivatives on commodities		29.6		29.6
Total		**272.9**		**272.9**

	Notional amounts				
(in millions of euro)	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Derivatives on interest rates					
Derivatives on exchange rates					
Derivatives on equities	240.8				240.8
Derivatives on indices	2.5				2.5
Derivatives on commodities	29.6				29.6
Total	**272.9**				**272.9**

Currency risk hedges and Hedge accounting

The Group has no currency risk hedges and does not use hedge accounting.

Financial risk management policy and objectives

Introduction

The Italmobiliare Board of Directors defines general Group principles and management policy for the Group Financial and private equity segment, the segment in which the parent itself operates. In the other Group segments (Industrial and services for industry segment, Other activities segment), management policy for financial risks and financial instruments is defined by the main company of each segment or by individual companies on the basis of the characteristics of the segment, and consistently with general Group principles. Specifically:

- for the Industrial and services for industry segment: by Italgen S.p.A. and Sirap Gema S.p.A.;
- for the Other activities segment: the segment does not present material financial risks and therefore does not formulate a specific policy.

For discussion of management policies and objectives in each segment, the reader is referred to the specific section.

Financial risks

Credit risk

Credit risk is the risk that a counterparty might default on its obligations and generate a financial loss for the Group.

Credit risk is managed by each segment in relation to its type of business.

Liquidity risk

Liquidity risk is the risk that due to an inability to raise new funds or sell assets on the market, the company might be unable to settle its payment obligations. This would generate effects on the profit (loss) for the year if the company were obliged to sustain additional costs to meet its commitments, or conditions of insolvency putting the company's ability to continue as a going concern at risk.

The table below shows consolidated net financial debt by maturity (without the fair value of derivatives and loan assets) compared with undrawn lines of credit and cash and cash equivalents.

At December 31, 2017:

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**	**Total**
Total financial liabilities	(62.0)	(19.9)	(24.5)	(2.9)	(109.3)
Undrawn committed lines of credit					
Cash and cash equivalents	217.9				217.9

The Group also has uncommitted lines of credit for 242.3 million euro.

At December 31, 2016:

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**	**Total**
Total financial liabilities	(62.1)	(28.6)	(48.2)	(1.8)	(140.7)
Undrawn committed lines of credit					
Cash and cash equivalents	285.5				285.5

The Group also had uncommitted lines of credit for 339.2 million euro.

Market risk

Interest-rate risk

The Group is exposed to the risk of changes in market interest rates, as follows:

- o the risk of variations in the fair value of fixed-rate financial assets and liabilities. A change in interest rates affects the fair value of fixed-rate assets and liabilities;
- o the risk linked to future cash flows on floating-rate financial assets and liabilities. A change in interest rates has a limited impact on the fair value of floating-rate rate financial assets and liabilities, but may affect future cash flows and profits.

In the industrial companies, management of the interest-rate risk has a dual purpose, to minimize the cost of net financial debt and reduce exposure to fluctuation.

In the financial companies, interest-rate risk management is an integral part of the core business, and is based on investment and debt policies established by the governing bodies of the companies in question.

The Group may hedge interest-rate risks with derivatives such as interest-rate swaps, forward rate agreements, futures and interest-rate options arranged from time to time with leading banks.

Net financial debt at inception and after interest-rate hedging was as follows at December 31, 2017:

(in millions of euro)	
Balance at December 31, 2017	
Fixed-rate financial liabilities	(16.2)
Fixed-rate financial assets	46.6
Fixed-rate NFP at inception	**30.4**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	**30.4**
Floating-rate financial liabilities	(90.3)
Floating-rate financial assets	48.7
Floating-rate NFP at inception	**(41.6)**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	**(41.6)**
Net fair value of derivatives	
Other instruments not subject to interest-rate risk	506.0
Total NFP	**494.8**

Currency risk

The table below details consolidated net exposure by currency, showing financial assets and liabilities denominated in currencies other than the local currency.

(in millions of euro)	euro (*)	USD (*)	Others (*)
Financial assets (**)	0.2	45.5	6.1
Financial liabilities (**)	(0.5)		
Net exposure by currency	**(0.3)**	**45.5**	**6.1**

(*) assets and liabilities are stated at their nominal amount in euro when the local currency is not euro
(**) excluding trade payables and receivables

The Group companies are structurally exposed to a currency risk on cash flows from operating activities and on financing activities denominated in currencies other than their respective functional currencies.

The impact of currency translation on subsidiaries' equity is recorded in a separate equity reserve.

Equity price risk

The Group is exposed to the risk of market fluctuations on listed equities and other securities in portfolio.

Exposure is essentially in the Financial and private equity segment, to which reference should be made for further details.

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Available-for-sale equity investments	541,772	608,541	(66,769)
Trading securities	42,625	35,435	7,190
Overall exposure	**584,397**	**643,976**	**(59,579)**

Commodity price risk

The Group is exposed to a commodity price risk on the raw materials and energy products used by the Industrial and services for industry segment.
These risks are managed by the individual segments, through diversification of procurement sources.

Energy

This sub-segment is exposed to the following risks arising from use of financial instruments:

- credit risk;
- market risk.

Information about group exposure to each of the listed risks, the goals and processes of risk management policy and the methods used to assess risk is provided below.

Credit risk

The group is exposed to a limited credit risk, since its customers are vetted for creditworthiness, both on a preliminary basis and during the life of the credit, through monitoring of receivable balances by the administrative department.

Market risk

Market risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in market prices caused by variations in exchange rates and interest rates. The aim of market risk management is to keep exposure to the risk within acceptable limits and, at the same time, to optimize return on investments.

Interest-rate risk

Italgen S.p.A. is exposed to an interest-rate risk since its total gross debt is at a floating rate, indexed to 3- and 6-month Euribor.

One loan contract includes covenants requiring compliance with financial indicators typically determined on an annual basis. The reference indicator is leverage (gross financial debt net of cash and cash equivalents / gross operating profit), with a top limit of 4.5. Failure to comply with covenants leads to termination and consequent early repayment, although the covenants include a stand-by period prior to actual execution. Italgen S.p.A. complied with the covenants at December 31, 2017.

At December 31, a Euribor increase of 1% in the reference rates would have had an impact of approximately 200 thousand euro. A decrease in the already negative reference rates would not have had any impact given the 0% floor on the reference Euribor rate.

Currency risk

Italgen S.p.A. operates in some emerging countries (Egypt and Morocco) through subsidiaries, some of which have financial assets denominated in currencies other than the local currency, with no hedges. Adverse political or economic developments in those regions could have a negative impact on the company’s prospects and operations, and on its results of operations and financial position.

Food packaging

Risk management policy

In order to adopt a uniform financial risk management policy for the Sirap group, on July 31, 2013, the Sirap Gema S.p.A. Board of Directors approved the Italmobiliare Group's "Financial Resources Management Regulation: structure of investment process governance and portfolio constraints", to be extended to all companies it controls directly and indirectly in the food packaging sub-segment. An update to the regulation was issued on December 6, 2013 and was adopted by the Board of Directors on February 28, 2016.

Objectives

The objective of the above policy is to reduce the financial risks to which the Sirap group is exposed in its operations, by indicating application procedures, instruments and limits.
Since the Sirap group's activities are mainly business operations in food packaging, use of instruments will be limited to hedging risks associated with its core business, excluding speculative policies or policies designed purely to maximize financial profit.

Financial instruments

The financial instruments adopted in the sub-segment are intended solely to provide it with the funds required to conduct its core business. Consequently, amounts, terms and conditions of financial instruments are designed to meet the needs of the transactions to which they refer.

Financial risk management

Credit risk

The sub-segment is exposed to credit risk on sales of products and services on its core markets.

Its policy sets out criteria for establishing customer creditworthiness, credit limits and risk containment measures.
The policy also assigns responsibility for approving amounts in excess of such limits and for drafting management reports.

An analysis of overdue receivables for the main companies in the Sirap group consolidation produced the following situation by overdue days:

(in millions of euro)	0-30 days	31-60 days	61-90 days	more than 90 days	Total
Sirap Gema	1.7	0.1	0.1		1.9
Sirap Gema France	1.0				1.0
Sirap Gema Remoulins					
Inline Poland	0.8	0.1			0.9
Total	**3.5**	**0.2**	**0.1**		**3.8**

Total non-overdue trade receivables stood at 44.7 million euro.

Since Sirap group trade receivables refer in the main to leading Italian and international mass merchandisers and to food distributors, non-overdue receivables are not analyzed by debtor ratings; the probability of material solvency risks may be reasonably excluded. Individual cases are systematically reviewed and a specific allowance set aside where necessary.

The generic risk on overall credit exposure is determined on a statistical basis, considering historical annual insolvency and loss, correlated with average uncollectibility percentages computed in relation to the age of the receivable.

Movements on the allowance for impairment of trade receivables in 2017 were as follows:

(in millions of euro)	Opening balance	Additions	Utilization	Closing balance
Sirap Gema	0.9		(0.1)	0.8
Sirap Gema France	0.3	0.1	(0.3)	0.1
Inline Poland	0.1		(0.1)	
Petruzalek group	1.5	0.1		1.6
Total	**2.8**	**0.2**	**(0.5)**	**2.5**

As part of action taken to contain the credit risk, during the year credit control committees continued to operate in almost all the Sirap group companies. The committees conduct monthly reviews and analyses of situations at greatest risk. During the year, credit insurance policies were taken out by Sirap Gema S.p.A. in the manner deemed appropriate.

Liquidity risk

The Sirap group is exposed to a liquidity risk (the risk of being unable to meet its financial obligations) on its net financial debt.

Its policy provides criteria for definition of financing amounts, terms and conditions, in relation to conditions on the markets on which it operates.

In the Sirap group, loans and borrowings have been set up with financial covenants.

The subsidiary Inline Poland Sp z.o.o. has access to four loans with financial covenants:
- a 460 thousand euro loan maturing on December 31, 2018;
- a 2,316 thousand euro loan maturing on January 31, 2027;
- a 1,981 thousand euro loan maturing on August 31, 2027;
- a 1,308 thousand euro loan maturing on February 28, 2023.

The contracts envisage covenants on: total annual turnover, percentage net return, current ratio, ratio of current receivables and investments to current liabilities; the first of the four loans did not comply with this last covenant, but no reclassifications or penalties arose as a result.

Market risk

Interest-rate risk

This is the risk of changes in the value of or future cash flows on a financial instrument, due to changes in interest rates.

The policy sets out criteria and procedures to mitigate/neutralize the interest-rate risk, that is, to minimize the difference between interest income and expense rates in relation to operating requirements, taking into account that since the sub-segment is structurally in debt, the presence of liquidity may only be temporary.

Currency risk

The sub-segment is exposed to currency risk largely with regard to the East European currencies.
There was no material worsening in these currencies' exchange rates with the euro.
The policy sets out criteria and procedures to mitigate/neutralize the effects, and instruments and limits on use of hedging derivatives.

Other price risks

This category includes risks related to fluctuations in market prices, which may have a material impact on the value or future cash flows of the operating companies.

Specifically, the sub-segment is exposed mainly to price fluctuations on polymer raw materials and energy, with the prices of the former rising notably during 2017.
The prices of these production factors and the related market indicators are monitored continually to mitigate risks and negative effects on performance wherever possible.

Generally speaking, the risk category also includes the value of equity investments in operating companies (equity risk). In view of the fact that investment in new markets to achieve business growth is a strategic objective in the Sirap group, exposure to equity risk on investments in operating companies is maintained and the policy does not envisage specific criteria to reduce risk.

Financial and private equity segment

Risk management policies

Objectives

In the Financial and private equity segment, management of financial risk is an opportunity to generate profits within the constraints established for the purposes of careful and prudent management of financial resources.

Financial instruments

The group guidelines define the types of financial instruments allowed, maximum amounts, counterparties and methods of approval.

Derivatives may be used both as risk management instruments and as instruments relating to market positioning.

Credit risk

Italmobiliare and the segment in general are exposed to credit risk with respect to issuers of financial instruments and counterparties to financial transactions.

The guidelines establish minimum rating levels for individual investments (where applicable), for type of instrument, for rating class and maximum exposure in relation to individual counterparties.

A monitoring and reporting system has also been established for senior management.

The Financial and private equity segment is not exposed to material trade credit risks.

The table below illustrates the level of credit risk exposure for each instrument (bonds, deposits, other financial assets) and with respect to the counterparties to derivatives.

(in millions of euro)	Fair Value	Average rating	Average outstanding life (in years) (*)
Trading bonds	23.9	A2	3.60
Available-for-sale bonds	33.2	Aaa/Baa1	8.40
Deposits	203.2	n/a	n/a
Other financial assets	0.7	n/a	n/a
Interest-rate derivatives	(1.4)	n/a	< 1

Assuming a parallel shift of +100 bp in the credit curve, the estimated overall change in the fair value of financial instruments would be -2.4 million euro, of which -2.1 million euro in the income statement and -0.3 million euro in the statement of financial position.

Deposits are subject to counterparty risk, but a shift of +100 bp in the curve would not have an impact on the amount thereof.

Other financial assets and derivatives are excluded from the sensitivity analysis since their fair value does not depend on the creditworthiness of the counterparty.

Liquidity risk

Risk management policy in the Financial and private equity segment is designed to optimize financial resources through effective management (in terms of maturities, costs and liquidity) of the segment's assets and liabilities.

The segment had a strong Net Financial Position (hereinafter "NFP") at December 31, 2017: a regular report is drawn up analyzing the NFP trend in relation to the segment's requirements.

The table below sets out debt by maturity (residual life) compared with financial assets and undrawn lines of credit.

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond ***	**Total**
Total financial liabilities	(11.9)			(0.7)	**(12.6)**
Total financial assets	297.0	0.8	9.0	278.0	**584.8**
Total NFP	**285.1**	**0.8**	**9.0**	**277.3**	**572.2**
Undrawn committed lines of credit					

* includes financial assets with no maturity

Short-term drawings on committed lines of credit are reclassified on expiry of the respective facility.
Undrawn uncommitted lines of credit stand at 208.0 million euro.

Market risk

Interest-rate risk
Fluctuations in interest rates affect the fair value of financial assets and liabilities and the level of net finance costs.

Regular reports are drawn up analyzing the NFP and detailing asset and liability management.

The table below illustrates the NFP of the Financial and private equity segment at December 31, 2017, and exposure to interest-rate risk; reference should be made to the specific note for a detailed analysis of the NFP.

(in millions of euro)	
Balance at December 31, 2016	
Fixed-rate financial liabilities	
Fixed-rate financial assets	36.7
Fixed-rate NFP at inception	**36.7**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	**36.7**
Floating-rate financial liabilities	(7.9)
Floating-rate financial assets	40.3
Floating-rate NFP at inception	**32.4**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	**32.4**
Assets not exposed to interest-rate risk	507.8
Liabilities not exposed to interest-rate risk	(4.7)
Total NFP	**572.2**

Floating-rate assets include cash and cash equivalents, amounts due from Group companies and floating-rate bonds; fixed-rate liabilities include amounts due to third parties and Group companies.

A sensitivity analysis was performed to determine the change in the fair value of the total net financial position caused by an instantaneous shift of 100 bps in forward interest rates (assuming a parallel shift in the curve). Modified Duration was used as the sensitivity criterion.

The analysis found an overall estimated change of -2.5 million euro, arising from -1.8 million euro on the income statement and -0.6 million euro on the statement of financial position.

On demand and time deposits, an instantaneous shift in the curve would not generate an automatic effect on the income statement.

Symmetrical results would be generated by an instantaneous parallel downward shift in the rate curve.

Currency risk

Overall exposure to the currency risk is limited. Currency positions are limited and used with the objective of de-correlating the risk of traditional financial assets in the liquidity management portfolio.

Other price risks

Italmobiliare and the companies in the segment in general are particularly exposed to the risk of fluctuations in the prices of listed equities carried at fair value.

Since Italmobiliare is a holding company, exposure to the equity risk is inherent to its core business. In some cases, for limited amounts, the Policies set out procedures and approvals for the use of derivatives to reduce this risk.

At December 31, 2017, listed assets exposed to price risk amounted to 585.3 million euro, of which 541.7 million euro classified as "available-for-sale" and 43.6 million euro as trading equities.
A hypothetical reduction of 5% in share prices would have a negative impact on the asset fair value of 32.2 million euro, of which 27.1 million euro on equity and 2.2 million euro on the income statement.

(in millions of euro)	Fair Value	Share price delta	Impact on income statement	Impact on equity
Held-for-trading equities	43.6	-5%	(2.2)	
Available-for-sale equities	541.7	-5%		(27.1)

Transactions with related parties

Transactions with related parties in 2017 were not significant. They are detailed in the table below:

(in thousands of euro)	Revenue (expense)	Trade receivables (payables)	Financial assets (liabilities)	Finance income (costs)	Other operating income (expense)
Italmobiliare Group					
Subsidiaries and associates not fully consolidated	88	2	14,339	15	
Other related parties					
	(363)	(1)			
Total	**88**	**2**	**14,339**	**15**	
	(363)	**(1)**			
% impact on financial statements captions	0.0%	0.0%	2.4%	3.1%	
	0.1%	0.0%			

The comparatives for 2016 are set out below:

(in thousands of euro)	Revenue (expense)	Trade receivables (payables)	Financial assets (liabilities)	Finance income (costs)	Other operating income (expense)
Italmobiliare Group					
Subsidiaries and associates not fully consolidated	8,145			67	
	(6,481)				
Calcestruzzi group companies	24				
	(1,485)				(87)
Other related parties	68				83
	(1,303)	(921)			(10,900)
Total	**8,237**			**67**	**83**
	(9,269)	**(921)**			**(10,987)**
% impact on financial statements items	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.

The impact on the financial statements captions is not shown for 2016 due to the inconsistency between numerator (transactions with related parties with all group companies) and the numerator (IFRS 5 financial statements data not including assets held for sale).

During 2017, the Italmobiliare Group did not make endowments to the Fondazione Italcementi Cav. Lav. Carlo Pesenti (10,900 thousand euro in 2016).

The percentage impact of the above-mentioned transactions with related parties on cash flows was negligible.

Remuneration of key management personnel

The table below sets out amounts accrued during the year by key management personnel: the directors, the chief operating officer and the Italmobiliare S.p.A. manager in charge of financial reporting, for positions held in the Group:

(in thousands of euro)	2017	2016
Short-term benefits: fees and remuneration	9,741	16,460
Other long-term benefits: length-of-service bonuses and incentives	1,817	1,065
Share-based payments	308	165
Total	**11,866**	**17,690**

Non-recurring transactions

The following tables itemize the most significant non-recurring transactions and their impact on the Group's financial position and results of operations:

	2017					
(in thousands of euro)	**Equity**		**Profit (loss) for the period**		**Net financial position (debt)**	
	amount	**%**	**amount**	**%**	**amount**	**%**
Carrying amounts	**1,373,657**		**115,246**		**494,779**	
Net gains on the sale of non-current assets	4	0.00%	4	0.00%		
Non-recurring personnel expense for re-organizations	(1,192)	0.09%	(1,192)	1.03%	(673)	-0.14%
Other non-recurring income (expense)	2,735	0.20%	2,735	2.37%	528	0.11%
Tax on non-recurring transactions						
Total	**1,547**	**0.11%**	**1,547**	**1.34%**	**(145)**	**0.03%**
Figurative amount without non-recurring transactions	**1,372,110**		**113,699**		**494,924**	

	2016					
(in thousands of euro)	**Equity**		**Profit (loss) for the period**		**Net financial position (debt)**	
	amount	**%**	**amount**	**%**	**amount**	**%**
Carrying amounts	**1,334,167**		**68,209**		**493,461**	
Net gains on the sale of non-current assets	(34)	0.00%	(34)	0.05%		
Non-recurring personnel expense for re-organizations	(58)	0.00%	(58)	0.09%		
Income (expense) on distribution to shareholders	(523,931)	39.27%	71,769	105.22%	(126,913)	25.72%
Other non-recurring income (expense)	(10,267)	0.77%	(10,267)	15.05%	(300)	0.06%
Tax on non-recurring transactions						
Total	**(534,290)**	**40.05%**	**61,410**	**90.03%**	**(127,213)**	**25.78%**
Figurative amount without non-recurring transactions	**1,868,457**		**6,799**		**620,674**	

Audit fees

The table below sets out details of the fees paid in 2017 by the Italmobiliare Group to the independent auditors KPMG and the foreign companies of the KPMG network, pursuant to article 149-duodecis. 1 of CONSOB Resolution no. 11971 of May 14, 1999:

(in thousands of euro)	KPMG S.p.A.	Other Italian companies in the KPMG network	Other foreign companies in the KPMG network
Audit services	**635**		**215**
Other attestation services	**53**		
Other legal, tax and corporate services	**84**	**6**	**102**
Expense	**93**		**4**

Statement of cash flows

B) Cash flow from investing activities

The table below itemizes the main equity investments made by the Group in 2017:

(in millions of euro)	2017	2016
Tecnica group	43.3	
Sciquest	35.0	
Private equity funds	18.2	74.8
Bond loans	9.0	
Mediobanca	7.0	
BDT Fund	3.7	22.4
Dokimé	3.7	
Ideami	3.0	
Unicredit	1.2	
SES	0.8	
Piaggio	0.7	
Clessidra	0.2	18.8
Ubi	0.1	2.7
Banca Popolare di Milano		13.7
Coima Res		5.0
Rosa Plast		4.2
Puridium		2.7
Intesa		2.3
Total	**125.9**	**146.6**

Equity investments are shown net of the cash and cash equivalents of the companies acquired and the change in payables for equity investment acquisitions.

(in millions of euro)	BravoSolution group 10/31/2017
Non-current assets	37,167
Goodwill	3,966
Current assets net of cash and cash equivalents	40,548
Non-current liabilities	(19,159)
Current liabilities	(52,748)
Net assets	9,774
Assets other than cash and cash equivalents attributable to non-controlling interests of the Italmobiliare Group	1,687
Assets other than cash and cash equivalents attributable to the Italmobiliare Group	**8,087**
Cash arising from sale	113,755
Divested cash	(16,448)
Net gain from sold assets	**97,307**

A reconciliation of the changes in financial liabilities with the cash flows from (used in) activities is set out below:

	2016	With impacts on cash flow	No impacts on cash flow		2017
(in thousands of euro)			**Deconsol. BravoSolution**	**other**	
Non-current financial liabilities	**77,909**	**(13,678)**	**(17,505)**	**(104)**	**46,622**
Amounts due to banks	**28,247**	**(3,518)**	**(10,089)**		**14,640**
Current financial liabilities	**27,152**	**22,806**	**(4,147)**	**(6,052)**	**39,759**
Other amounts due in other line items	**18,346**	**(6,096)**		**1**	**12,251**
Total	**151,654**	**(486)**	**(31,741)**	**(6,155)**	**113,272**

Events after the reporting date

No significant events have taken place since the reporting date.

Milan, March 6, 2018

For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

Annex

Annex

The table below sets out equity investments held in companies when such investments exceed 10% of voting capital. It also indicates the consolidation method and non-controlling interests

Company	Registered office		Share/Quota capital		Interest held by Group companies				Method	Non-controlling interests %
					Direct	Indirect	%			
Parent										
Italmobiliare S.p.A.	Milan	I	€	100,166,937.00						
Atmos Venture S.p.A. winding up	Milan	I	€	880,040.00	10.13		10.13	Italmobiliare S.p.A.	Cost	
Beijing Tecnica Sport Equip. Co. Ltd	Beijing	RC	CNY	25,727,280.00	-	50.00	50.00	Tecnica Group Spa	Equity	
Blizzard Liegenschaftsverwaltung	Mittersill	A	€	36,336.00	-	100.00	100.00	IQ-Sports Verwaltungs GmbH	Equity	
Blizzard Produktions GmbH	Mittersill	A	€	5,301,701.00	-	100.00	100.00	IQ-Sports Verwaltungs GmbH	Equity	
Blizzard Sport GmbH	Mittersill	A	€	36,336.00	-	100.00	100.00	IQ-Sports Verwaltungs GmbH	Equity	
Burgo Group S.p.A.	Altavilla Vicentina	I	€	205,443,391.40	-	11.68	11.68	Franco Tosi S.r.l.	Fair Value	
Clessidra Società di Gestione del Risparmio S.p.A.	Milan	I	€	3,000,000.00	100.00		100.00	Italmobiliare S.p.A.	Line-by-line	
CJSC INLINE-R	Moscow	RU	RUB	30,230,640.00		23.99	23.99	Inline Poland Sp. z.o.o.	Cost	
Compagnia Fiduciaria Nazionale S.p.A.	Milan	I	€	90,000.00	16.67	-	16.67	Italmobiliare S.p.A.	Fair Value	
Crédit Mobilier de Monaco S.A.	Montecarlo	MC	€	5,355,000.00	-	99.91	99.91	Franco Tosi S.r.l.	Line-by-line	0.09
Dokimè	Milan	I	€	100,000.00	20.63			Italmobiliare S.p.A.	Equity	
Eco Park Wind Power	Sofia	BG	BGN	5,000.00		100.00	100.00	Gardawind S.r.l.	Equity	
Finimage 15 Sagl	Lugano	CH	CHF	20,000.00		100.00	100.00	Franco Tosi S.r.l.	Line-by-line	
Fin.Priv. S.r.l.	Milan	I	€	20,000.00	14.28	-	14.28	Italmobiliare S.p.A.	Fair Value	
Franco Tosi S.r.l.	Milan	I	€	260,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line	
Gardawind S.r.l.	Vipiteno (BZ)	I	€	100,000.00	-	49.00	49.00	Italgen S.p.A.	Equity	
Haekon Eood	Sofia	BG	BGN	5,000.00		100.00	100.00	Gardawind S.r.l.	Equity	
i.FotoGuiglia S.r.l.	Milan	I	€	14,290.00	-	30.00	30.00	Italgen S.p.A.	Equity	
ICS Petruzalek Srl	Chisinau	MD	MDL	81,518.50	-	100.00	100.00	Petruzalek Com S.r.l. (Romania)	Line-by-line	
Immobiliare Lido di Classe S.r.l.	Rome	I	€	255,000.00	18.04	-	18.04	Italmobiliare S.p.A.	Cost	
Inline Poland Sp. z.o.o.	Murowana Goslina	PL	PLN	3,846,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line	
Italgen Maroc Ener S.A.	Casablanca	MAR	MAD	39,100,000.00	-	100.00	99.99	Italgen S.p.A.	Line-by-line	
							0.01	Italmobiliare Servizi S.r.l.	Line-by-line	
Italgen Maroc S.A.	Casablanca	MAR	MAD	1,800,000.00	-	100.00	99.99	Italgen S.p.A.	Line-by-line	
							0.01	Italmobiliare Servizi S.r.l.	Line-by-line	
Italgen Misr for Energy SAE	Cairo	EGY	LE	76,940,000.00	-	98.00	98.00	Italgen S.p.A.	Line-by-line	2.00
Italgen S.p.A.	Bergamo	I	€	20,000,000.00	100.00		100.00	Italmobiliare S.p.A.	Line-by-line	
Italmobiliare Servizi S.r.l.	Milan	I	€	3,520,000.00	100.00		100.00	Italmobiliare S.p.A.	Line-by-line	
IQ-Sports Verwaltungs GmbH	Mittersill	A	€	17,500.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Lowa Boots LLC	Stamford	USA	USD	35,000.00	-	100.00	100.00	Lowa Sportschuhe GmbH	Equity	
Lowa Schuhe AG	Wengelacher	CH	CHF	1,100,000.00	-	100.00	100.00	MM Holding AG	Equity	
Lowa Sportschuhe GmbH	Haupstrasse	D	€	5,000,000.00	-	60.00	60.00	Teclor Srl	Equity	
Mesomarket Eook	Sofia	BG	BGN	5,000.00		100.00	100.00	Gardawind S.r.l.	Equity	
MM Holding AG	Stans	CH	CHF	100,000.00	-	100.00	100.00	Lowa Sportschuhe GmbH	Equity	
Norfin S.r.l.	Giavera del Montello	I	€	95,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Petruzalek Ltd (Turkey)	Istanbul	TR	TRY	2,806,000.00	-	100.00	99.86	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
							0.14	Petruzalek Com S.r.l. (Romania)		
Petruzalek e.o.o.d. (Bulgaria)	Sofia	BG	BGN	5,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek Com S.r.l. (Romania)	Bucharest	RO	RON	6,374,380.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek d.o.o. (Croatia)	Zabok	HR	HRK	129,500.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek d.o.o. (Serbia)	Zemun (Batajnica)	RS	€	1,066,060.09	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek d.o.o. (Slovenia)	Maribor	SI	€	9,959.08	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek Gesellschaft mbH (Austria)	Tattendorf	AT	€	1,000,000.00	-	100.00	99.00	Sirap Gema S.p.A.	Line-by-line	
							1.00	Sirap Remoulins S.A.S.		
Petruzalek Kft (Hungary)	Budapest	HU	HUF	300,000,000.00	-	100.00	75.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
							25.00	Petruzalek spol. S.r.o. (Czech Republic)		
Petruzalek o.o.o. (Ukraine)	Odessa	UA	UAH	214,831.00	-	90.00	90.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	10.00
Petruzalek d.o.o. winding up (Bosnia)	Sarajevo	BA	BAM	10,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek S.r.o. (Slovakia)	Bratislava	SK	€	15,269.20	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Petruzalek S.r.o. (Czech Republic)	Breclav	CZ	CZK	2,300,000.00	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)	Line-by-line	
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	I	€	1,300,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line	
Rosa Plast Due S.r..l.	Bovezzo	I	€	15,000.00		100.00	100.00	Sirap Gema S.p.A.	Line-by-line	
Schöffel-Lowa-Sportartikel &Co. KG	Schwabmünchen	D	€	1,892,216.00	-	50.00	50.00	Lowa Sportschuhe GmbH	Equity	
S.E.S. Società Editrice Sud S.p.A	Messina	I	€	10,695,505.08	31.10	-	31.10	Italmobiliare S.p.A.	Equity	
Sirap France SAS	Noves	FR	€	3,520,000.00	-	100.00	100.00	Sirap Gema S.p.A.	Line-by-line	
Sirap Gema S.p.A.	Verolanuova (BS)	I	€	5,000,000.00	100.00	-	100.00	Italmobiliare S.p.A.	Line-by-line	
Sirap Remoulins S.A.S.	Remoulins	FR	€	500,000.00		100.00	100.00	Sirap France S.A.S.	Line-by-line	

Company	Registered office		Share/Quota capital		Interest held by Group companies				Method	Non-controlling interests %
					Direct	Indirect	%			
Société d'Etudes de Participations et de Courtages S.A.	Montecarlo	MC	€	1,290,000.00	-	99.98	99.98	Franco Tosi S.r.l.	Line-by-line	0.02
Teclor Srl	Giavera del Montello	I	€	10,000,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Tecnica Group Canada Inc	St Lauren	CA	CAD	1,000,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Tecnica Group Deutschland GmbH	Jetzendorf	D	€	715,808.00	-	100.00	100.00	Blizzard Sport GmbH	Equity	
Tecnica Group France S.a.r.l.	Annecy le Viex	FR	€	1,000,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Tecnica Group Japan Ltd	Tokyo	JP	YEN	100,000,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Tecnica Group USA Ski Boots Corp.	West Lebanon	USA	USD	5,800,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Tecnica Group Schweiz AG	Zurich	CH	CHF	500,000.00	-	100.00	100.00	Tecnica Group Spa	Equity	
Tecnica Ungheria Kft	Nagykallo	H	€	48,352.00	-	99.00	99.00	Tecnica Group Spa	Equity	
Tecnica Ungheria Logistic Kft	Nagykallo	H	€	3,406,070.00	-	99.00	99.00	Tecnica Group Spa	Equity	
Tianjing Tecnica International Co. Ltd	Tianjin Port	RC	CNY	2,417,770.00	-	50.00	50.00	Tecnica Group Spa	Equity	
Tecnica Group Spa	Giavera del Montello	I	€	25,000,000.00	40.00		40.00	Italmobiliare S.p.A.	Equity	
Universal Imballaggi Sr.l.	Palermo	I	€	1,731,588.00	-	92.64	92.64	Sirap Gema S.p.A.	Line-by-line	7.36

(Translation from the original Italian text)

Certification pursuant to article 154 - bis, subsection 5 of the Consolidated Law on Finance relating to the consolidated financial statements pursuant to art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and supplements

1. The undersigned Carlo Pesenti, Chief Executive Officer and Mauro Torri, Manager in charge of financial reporting of Italmobiliare SpA, certify, pursuant in particular to the provisions of art. 154-bis, subsections 3 and 4, of the legislative decree of 24 February 1998, no. 58:

   - the adequacy in relation to the characteristics of the company and
   - the proper application

   of the administrative and accounting procedures for the preparation of the **consolidated financial statements** during the period from 1 January 2017 to 31 December 2017.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements as of 31 December 2017 is based on a model defined by Italmobiliare in accordance with the COSO framework (documented in the COSO Report) and also takes into account the "Internal Control over Financial Reporting - Guidance for Smaller Public Companies" document, both drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, which represent a reference framework generally accepted at international level.

3. It is also certified that:

   3.1 the consolidated financial statements for the year ended 31 December 2017:

   a) have been prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) correspond to the contents of the accounting books and records;

   c) are suited to the provision of a truthful and correct representation of the equity, economic and financial situation of Italmobiliare SpA and of the set of companies included in the consolidation;

   3.2 the report on operations includes a reliable analysis of the performance and operating result, as well as the situation of Italmobiliare SpA, as an issuer, and of the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

06 March 2018

Signed by: Carlo Pesenti, Chief Executive Officer
Signed by: Mauro Torri, Manager in charge of financial reporting

KPMG

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Italmobiliare S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Italmobiliare Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Italmobiliare Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Italmobiliare S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of financial assets (securities, fund units, loan assets and other equity investments)

Notes to the consolidated financial statements, paragraphs "Use of estimates", "Other equity investments", "Trade receivables and other non-current assets" and "Equity investments, bonds and loan assets".

Key audit matter	Audit procedures addressing the key audit matter
The Group's main business activities include the acquisition, sale and holding of financial assets. At 31 December 2017, its consolidated financial statements include financial assets (securities, fund units, loans assets and other equity investments) of €1,090.9 million equal to 65% of total financial statements assets. At 31 December 2017, the Group's portfolio of financial assets measured at fair value comprises listed securities of €670.2 million, at level 1 in the fair value hierarchy and almost entirely classified as available for sale, and financial assets of €204.9 million and €172.1 million, identified by directors at fair value hierarchy level 2 and 3, respectively, which do not have quoted prices on an active market. Given the composition of the above-mentioned portfolio of financial assets, the Group is particularly exposed to the price fluctuation risk of listed securities at fair value. The Group has adopted a specific policy to measure impairment of listed equity securities classified as available for sale. In addition to qualitative factors, this policy considers whether there is a significant or prolonged decline in the equity instrument's fair value below its carrying amount that exceeds the set thresholds, in which case the loss is recognised in profit or loss rather than in equity (OCI). The measurement of financial assets at fair value hierarchy levels 2 and 3 entails a significant level of judgement by the directors, as the definition of the relevant valuation techniques and significant inputs is fairly complex. Considering the above, we believe that the classification and measurement of financial assets is a key audit matter.	Our audit procedures, which also involved our own valuation specialists, included: — understanding of the Group processes for the acquisition, sale, classification and measurement of financial assets; — checking, on a sample basis, the appropriate classification of financial assets based on the relevant fair value level; — analysing, for a sample of listed securities with fair value level 1 classified as available for sale, the year-end quoted prices and the application of the accounting policy for the recognition of fair value changes in equity (OCI) or profit or loss; — analysing, for a sample of financial assets with fair value levels 2 and 3, the reasonableness of the valuation techniques, the significant inputs and their actual application by the directors for measurement purposes; — assessing the appropriateness of the disclosures provided in the notes about financial assets and their fair value levels.

Assessment of pending litigation and disputes

Notes to the consolidated financial statements, paragraphs "Use of estimates" and "21) Provisions".

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2017 comprise provisions for litigation and disputes of a contractual, tax and legal nature amounting to €77.6 million. Assessing these provisions is complex and requires a high level of subjectivity and uncertainty from directors in estimating the outcome of the litigation and disputes, the risk of losing and the timing for their settlement. For the above reasons, we believe that the assessment of pending litigation and disputes is a key audit matter.	Our audit procedures, which also involved our own tax specialists, included: — understanding the process for measuring provisions for litigation and disputes and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — analysing the discrepancies between the past year's accounting estimates of the effect of litigation and disputes and the actual figures resulting from their subsequent settlement, in order to check the effectiveness of the estimation process; — sending written requests for information to the legal advisors assisting the Group about the assessment of the risk of losing pending litigation and disputes and the quantification of the related liability; — for the main litigation and disputes, analysing the assumptions used to determine their effect through discussions with the relevant internal departments and advisors and analysis of the supporting documentation; — discussing assumptions or scenarios alternative to those used to calculate the effect of litigation and disputes and the reasons for their rejection with the relevant internal departments; — analysing the events after the reporting date that may provide useful information for the measurement of provisions; — assessing the appropriateness of the disclosures provided in the notes about provisions.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Italmobiliare S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 April 2010, the shareholders of Italmobiliare S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2010 to 31 December 2018.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Italmobiliare S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Italmobiliare Group at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob Regulation implementing Legislative decree no. 254/16

The directors of Italmobiliare S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Milan, 23 March 2018

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director

Italmobiliare S.p.A.

Directors' report

The changes in the key standards and regulations compared to 2016 are detailed in the notes in the section “Statement of compliance with the IFRS”. In accordance with the provisions of European Union Regulation 1606/2002, the principles to be adopted do not include the standards and interpretations published by the International Accounting Standards Board (IASB) and by the International Financial Reporting Interpretations Committee (IFRIC) at December 31, 2017, not yet endorsed by the European Union at that date. Furthermore, the European Union has endorsed additional standards/interpretations that Italmobiliare S.p.A. will apply at a subsequent time, having decided not to elect early application.

Performance indicators

To assist understanding of its financial data, Italmobiliare S.p.A. employs a number of widely used indicators, which are not contemplated by the IFRS.

In particular, the income statement presents the following intermediate indicators/results: gross operating profit (loss) and operating profit (loss), computed as the sum of the preceding items. On the statement of financial position, similar considerations apply to net financial debt, whose components are detailed in the specific section of the notes relating to IFRS 7.

Since the indicators employed by the company are not required by the IFRS, their definitions may not coincide with and therefore not be comparable to those adopted by other companies/groups.

In the notes, the section on IFRS 7 provides information on the effects of changes in interest rates and share prices on the financial position and results of operations.

Overview

Performance

The expansionary phase in the world economic cycle that began in the summer of 2016 strengthened further during 2017, outperforming expectations, with extensive contributions from and synchronization among the various geographical segments. GDP growth was 3.8% (vs. 3.4% in 2016): the highest figure since 2011 and above the long-term average since 1980 (3.5%).

Specifically, the rise in consumption, capital expenditure and international demand boosted the economic indicators of the Eurozone and Japan, more than counterbalancing the momentary weakness in US consumption and the contained slowdown in the United Kingdom. The acceleration in growth in Italy was on a par with the Eurozone average, but beneath the Eurozone in absolute terms (1.5% vs. 2.4% respectively). In addition to the positive contribution from international demand, Italy's GDP was sustained by the rise in domestic demand.

The global expansionary phase was driven by the developed nations, but also benefited from performance in the emerging and developing countries: the increase in domestic demand enabled China to stabilize its growth (6.8%), while international demand triggered an upturn in Brazil.

The economic situation was reflected in trends in raw materials. The industrial sector index maintained the upward trend that began in early 2016, while the oil price exceeded 60 dollars/barrel, for an overall increase of 17%, in which the OPEC agreements and tensions in the Middle East were also contributing factors.

The greater use of the potential of production factors and consequent reduction in the output gap assisted a moderate upswing in the global inflation rate from 2016, although the index excluding more volatile components remained fixed at the ten-year average, below 2%.

In this scenario, the reflation of financial activities continued, underpinned by ultra-expansionary monetary policies and pro-cyclical or at least neutral fiscal policies. Specifically, the year-end US tax reforms and consequent upgrading of earnings forecasts for 2018 drove an additional acceleration of stock-market growth in the final quarter, leading the global index to achieve an annual overall performance of 17.5% (excluding dividends). The upswing was based largely on the rise in earnings forecasts, keeping the index valuation multiples at levels close to the beginning of the year, albeit still higher than the historic averages. The bull market was driven by the technology sector (+37%); in geographical terms, the emerging countries showed the largest increase (+27%) compared with the Eurozone index (+10.1%), which performed below the world index. The FtseMib, with 13%, reported a share price increase above the average for the Eurozone.

Trends on the European markets were affected by the significant appreciation of the Euro, in particular against the US dollar (+12%). During the year, the exchange rate reflected a better-than-expected economic trend in the Eurozone, and consequently a reformulation of expectations, which more than counterbalanced the gradual widening in the interest-rate differential to the advantage of the USA.

The stability of the inflation rate, combined with QE at the ECB and the Japanese central bank, kept medium- and long-term bond yields under pressure at global level. In fact, despite the three consecutive interest-rate increases by the Fed (for a total of 75 bps), at the end of 2017 US ten-year yields were at the year-opening level (2.4%), while the equivalent German Bund showed a contained increase of 20 bps, to close the year at 0.42%. The spread between the Italian ten-year BTP and the Bund was virtually unchanged at 160 bps.

Conversely, the corporate bond markets benefited from the economic expansion and the record lows generated by market volatility. Euro investment grade credit spreads narrowed by an additional 40 bps.

In this financial context, Italmobiliare S.p.A. reported a profit for the year of 102.1 million euro (759.8 million euro in 2016).

Condensed income statement

(in thousands of euro)	2017	2016	Change
Revenue and income	**143,449**	**856,064**	**(712,615)**
of which:			
Dividends	*22,354*	*6,495*	*15,859*
Gains on equity investments and securities	*101,270*	*834,768*	*(733,498)*
Interest income and other finance income	*19,235*	*1,364*	17,871
Services	*590*	*13,437*	(12,847)
Gross operating profit [1]	**105,167**	**791,142**	**(685,975)**
Amortization and depreciation	(546)	(300)	(246)
Operating profit [2]	**104,621**	**790,842**	**(686,221)**
Net finance costs	(1,189)	(46)	(1,143)
Impairment losses on financial assets	(21)	(19,536)	19,515
Profit before tax	**103,411**	**771,260**	**(667,849)**
Income tax expense	(1,295)	(11,431)	10,136
Profit for the year	**102,116**	**759,829**	**(657,713)**

[1] Gross operating profit (loss) is the difference between revenue and costs excluding amortization and depreciation, impairment losses on non-current assets, finance income (costs) and income tax.

[2] Operating profit (loss) corresponds to the preceding caption with the inclusion of amortization and depreciation.

Italmobiliare S.p.A. results were positively affected by the events of 2017, specifically by the sale of the equity investment in BravoSolution S.p.A. to the US group Jaggaer.
In 2017 revenue and income amounted to 143.4 million euro (856.1 million euro in 2016) and arose largely from the sale of the equity investment in BravoSolution S.p.A. to the US group Jaggaer on December 28, 2017, which generated a net gain of 72.0 million euro (the previous year had benefited from the sale of the equity investment in Italcementi to the German group HeidelbergCement AG, which generated a net gain of 754.5 million euro).
Furthermore, in 2016 the distribution of HeidelbergCement AG shares as a dividend to the savings shareholders, under the operation to simplify the capital structure, had generated a gain of 71.8 million euro that could not be repeated in 2017.

During 2017, Italmobiliare realized gains of 28.4 million euro on the sale of equities (80.1 million euro in 2016), relating largely to Mediobanca and HeidelbergCement. There was a significant increase in dividends, which amounted to 22.4 million euro compared with 6.5 million euro in 2016. This was essentially due to the dividends received from HeidelbergCement AG and from some subsidiaries (Italgen S.p.A. and Sirap Gema S.p.A.). Interest income and other finance income also increased (to 19.2 million euro in 2017 from 1.4 million euro in 2016), largely thanks to the positive contribution of options on securities (16.0 million euro).

Gross operating profit at 105.2 million euro (791.1 million euro in 2016) was also positively affected by the reduction in operating expense (-13.6 million euro net of amounts recharged within the Group).

The above items and amortization and depreciation of 546 thousand euro, up by 246 thousand euro from 2016, produced an operating profit of 104.6 million euro (790.8 million euro in 2016).

The year reflected impairment losses of 21 thousand euro (19.5 million euro in 2016).

The profit for 2017 of 102.1 million euro (759.8 million euro in 2016) was after income tax expense of 1.3 million euro (11.4 million euro in 2016).

Total comprehensive income

In 2017, starting from the profit for the year, the items that make up comprehensive income reflected a positive balance of 54.9 million euro (income of 68.0 million euro in 2016), as follows:

- fair value gains of 35.0 million euro on available-for-sale financial assets;
- a gain of 0.3 million euro on the re-measurement of net liabilities/assets relating to employee benefits,

and the related tax effect of 19.6 million euro (mainly due to the transfer of HeidelbergCement AG stock to the PEX regime).

Considering the profit for the year of 102.1 million euro and the above items, 2017 total comprehensive income was 157.0 million euro (827.8 million euro in 2016).

The statement of comprehensive income is included with the financial statements schedules.

Reclassified statement of financial position

The statement of financial position at December 31, 2017 and December 31, 2016 is summarized below.

(in thousands of euro)	December 31, 2017	December 31, 2016
Non-current assets	19,165	19,247
Investments in subsidiaries and associates	289,121	279,126
Other equity investments	599,767	626,775
Receivables and other non-current assets	118,987	101,343
Non-current assets	**1,027,040**	**1,026,491**
Current assets	**297,065**	**312,300**
Total assets	**1,324,105**	**1,338,791**
Equity	**1,252,085**	**1,218,412**
Non-current liabilities	49,299	92,216
Current liabilities	22,721	28,163
Total liabilities	**72,020**	**120,379**
Total equity and liabilities	**1,324,105**	**1,338,791**

Equity and net financial position

Equity at December 31, 2017 rose 33.7 million euro from December 31, 2016, from 1,218.4 million euro to 1,252.1 million euro. The main positive components were:

- the profit for the year of 102.1 million euro;
- fair value gains of 54.6 million euro on available-for-sale financial assets, net of the tax effect,

The main negative components were:

- the dividend payment of 23.0 million euro approved by the shareholders in their ordinary meeting of April 19, 2017;
- share buybacks for 101.2 million euro.

Since the split of the 23,816,900 Italmobiliare S.p.A. ordinary shares approved by the shareholders' in their extraordinary meeting of April 19, 2017, the company share capital of 100,166,937 euro has been represented by 47,633,800 no-par ordinary shares.

The net financial position of Italmobiliare S.p.A. of 307.9 million euro reflected a decrease of 9.1 million euro from the end of December 2016 (317.0 million euro). The comment on the Financial and Private equity segment in the directors' report on Group operations analyzes Italmobiliare S.p.A. cash flows.

Transactions on equity investments

For details on transactions on equity investments, reference should be made to the section on the Financial and Private equity segment in the directors' report on Group operations, under the heading "Significant events in the year".

At December 31, 2017, there were 5,690,870 treasury shares in portfolio, representing 11.95% of the share capital (874,014 treasury shares at December 31, 2016). The increase arose largely from the share buyback through the voluntary public tender offer described in "Significant events of the year" in the directors' report on Group operations.

During 2017, a total of 30,995 options were exercised, of which 5,000 post-split, for the purchase of a corresponding number of Italmobiliare ordinary shares, under stock options granted in previous years.

Research and development

Given its nature, Italmobiliare S.p.A. does not undertake any research and development. Such activities are undertaken within the Industrial and services for industry segment (Sirap group, BravoSolution group and Italgen group), and reference should be made to the relevant section for further information.

Human resources and information on personnel

At December 31, 2017, the number of people employed at Italmobiliare S.p.A. was 33 (34 at the end of December 2016).

Information on the environment

The company operations do not have a significant environmental impact.

Risks and uncertainties

The risks connected with Italmobiliare S.p.A.'s operations are illustrated in the section on the Financial and Private equity segment in the directors' report on Group operations, to which reference should be made.

Transactions with related parties

Italmobiliare S.p.A. transactions with related parties concerned:

- the subsidiaries of Italmobiliare S.p.A;
- other related parties.

Transactions with related parties reflect Italmobiliare S.p.A.'s interest in leveraging the synergies within the Group to integrate services, employ competences efficiently and rationalize use of corporate divisions and financial resources.

No atypical or unusual transactions took place in 2017 as defined by Consob Communication no. DEM/6064293 of July 28, 2006.

All transactions with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions and in compliance with the Code of Conduct.

Analytical data on transactions with related parties and the impact of such transactions on the company's financial position and results of operations are set out in the notes.

As part of the actions taken on corporate governance, Italmobiliare S.p.A. has adopted the "Procedure for transactions with related parties" illustrated in the section on "Corporate governance".

Transactions with subsidiaries, associates and the subsidiaries of such companies

Italmobiliare S.p.A. provides administrative, fiscal and legal services for subsidiaries and their investees with no specific internal competences.

In addition, it has relations with some subsidiaries involving the exchange of services. Specifically:

- through its legal service, Italmobiliare S.p.A. provided Group companies with specific assistance and leased a number of properties it owns to subsidiaries;
- Italmobiliare Servizi S.r.l. provided Italmobiliare S.p.A. and some of its subsidiaries with IT support services and some general services.

On the financial front, Italmobiliare S.p.A. provides guidance and assistance for some subsidiaries with regard to financing and the issue of guarantees, and optimizes cash management through current accounts and intragroup loans.

Intragroup transactions of a financial nature are conducted at normal market conditions; services are generally regulated on the basis of the costs of providing the services.

Executing a resolution carried by the Board of Directors on November 6, 2017, Italmobiliare S.p.A. granted a loan of 12 million euro to its subsidiary Sirap Gema S.p.A.

The loan is exempt from the obligations of CONSOB Regulation no. 17221 of March 12, 2010 as subsequently amended, since it is an "ordinary" transaction and was agreed on conditions "equivalent to market or standard conditions". It was therefore completed using the exclusion envisaged by article 13.3.c.ii of the CONSOB Regulation in question.

Domestic tax consolidation

2017 was the second tax year of the 2016/2018 three-year period of the Italian tax consolidation system envisaged by art. 117 ff. of the Consolidated Income Tax Act (*TUIR, Testo Unico delle Imposte sui Redditi*), renewed in 2016 by the parent Italmobiliare S.p.A. – which acts as the parent-consolidating company – and by some directly controlled subsidiaries

In 2017 the subsidiaries Italgen S.p.A. and Clessidra S.G.R. S.p.A. approved their inclusion in the domestic tax consolidation with effect from January 1, 2017.

The subsidiaries BravoSolution Italia S.p.A. and BravoSolution S.p.A. entered the scope of the tax consolidation as from January 1, 2017, and then left, on December 28, as a result of their sale by Italmobiliare to third parties.

The current scope of the domestic tax consolidation comprises the following consolidated subsidiaries:

- Sirap Gema S.p.A.
- Franco Tosi S.r.l.
- Punta Ala Promozione e Sviluppo Immobiliare S.r.l.
- Italmobiliare Servizi S.r.l.
- Italgen S.p.A.
- Clessidra S.G.R. S.p.A.

Economic and financial relations among the directly consolidated companies directly connected with and arising from participation in the tax unit and from management of the tax consolidation scheme described above are governed by a special “Regulation for implementation of infragroup intercompany relations arising from participation of the domestic tax consolidation”, signed by each of the companies concerned.

Transactions with other related parties

Transactions with other related parties concerned:

- administrative, financial, contractual and tax consultancy services supplied to the Italmobiliare Group by Finsise S.p.A., whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare until April 19, 2017, for considerations totaling 1,200 euro;
- payment of insurance policy premiums to Assicurazioni Generali S.p.A., of which Clemente Rebecchini is a director, for a consideration of 18,315 euro;
- purchase of publications and subscriptions from Il Sole 24 Ore S.p.A., of which Massimo Tononi is a director, for a consideration of 36,486 euro;
- legal consultancy and assistance on judicial and extrajudicial matters provided to Italmobiliare S.p.A. by the Gattai Minoli Agostinelli & Partners law firm, of which the director Luca Minoli is a partner, for considerations totaling 286,483 euro;
- a donation of 10,000 euro to the European Oncology Institute, of which Carlo Pesenti and Clemente Rebecchini are directors.

The considerations paid are in line with market conditions for the respective types of professional service provided.

The equity investments held by Directors, Statutory Auditors, the Chief Operating Officer, and the manager in charge of financial reporting in Italmobiliare S.p.A. and subsidiaries, as well as their remuneration for the positions they hold in the Group, are set out in the Remuneration Report.

The figures at December 31, 2017 for transactions with related parties are provided in the notes.

Fondazione Cav. Lav. Carlo Pesenti

The foundation is named after Carlo Pesenti (1907-1984), Cavaliere del Lavoro, one of the protagonists in Italian industry and finance scenario of the twentieth century. Italmobiliare S.p.A. has assumed exclusive control of the roles and functions reserved by the By-laws for the founder, pledging its support to the activities of the foundation. The Fondazione Pesenti develops modern forms of interaction between the public sector and the for-profit and not for profit private sector, fostering sustainable solutions to key social challenges. The areas of focus are intended to promote and support initiatives with a positive impact on the creation of new enterprises of significant social content set up in particular by the new generations. The foundation's commitment today is to consolidate its position as a true local resource with an international perspective, skilled in using an entrepreneurial approach for the development of economic and social initiatives.

The Board of Directors (in office for three years as from July 25, 2016) is as follows:

- Carlo Pesenti (chair)
- Giovanna Mazzoleni (deputy chair)
- Italo Lucchini
- Giorgio Barba Navaretti
- Ferruccio De Bortoli
- Matteo Kalchschmidt
- Marco Imperadori
- Donato Masciandaro

Giampiero Pesenti is Honorary Chair of the foundation; the Secretary General is Sergio Crippa, who follows management of the organization's operations.

The foundation's main activities are:

- **Education, training and scientific research**. Collaboration continued with the University of Bergamo on the "Bergamo 2.035 – Real Cities – Smarter Citizens" project promoted with Harvard University Graduate School of Design. The focus in this edition is on "Digital/Physical Retail", with an initial educational section providing knowledge and analysis tools and methods and identifying possible areas for investigation, and a second application section. The agreement with the Bocconi University for 2014-2017 was fully implemented regarding support for the "Sustainable Operations Management" course. In July 2017 a new agreement was signed continuing the foundation's support through 2018/20 for the Bocconi University's «Una sfida possibile» project. Support also continued for the Milan Politecnico Graduate School of Business. A project was launched with the University of Brescia/MISTRAL center to set up a scholarship named after Silvestro Capitanio, a prominent figure in the Group, in the three-year degree course in Environmental and Workplace Prevention Techniques. With the State University of Milan, a fellowship was assigned to the winner of a type B researcher post in Political Economics at the Economics Department. In science and education, in addition to the customary contribution to the projects of Bergamo Scienza, support was provided for the Intercultura association, awarding three scholarships for a year-long school program in the USA and three scholarships in Ireland. Support continued for the Amici della Pediatria association, which began in 2014 with the creation of a scholarship for medical studies in pediatrics.

- **Enhancement of art and culture** In addition to the customary annual support for the Fondazione Bergamo nella Storia, contributions and publishing initiatives were promoted by the Fondazione per la Storia Economica e Sociale di Bergamo and the Amici della Scala association. The foundation also reached an agreement with the Famiglia Legler foundation for the transfer, re-organization and cataloging of the drawings in the Historical Archives left to the foundation by Italcementi,
- **Cultural events and conferences** The foundation continued its activities to bring people, especially the younger generations, closer to classical music with support for the Festival Pianistico Internazionale di Brescia e Bergamo and the Festival Internazionale dei Concerti d'Autunno. "Molte Fedi sotto lo stesso cielo. Beati i Costruttori" is the title of a series of meetings promoted by the ACLI Christian workers associations to promote a culture of inclusion, to which the foundation made a contribution together with other local groups and associations.
- **Humanitarian and social support initiatives.** The Foundation completed its support project for the planning and supervision of the work to extend the Training Center in Metiyagane, Sri Lanka, an initiative planned after the tragic tsunami at the end of 2004, in cooperation with the local Salesian congregation. Other initiatives launched in 2017 included support for the Giorgio Ambrosoli civil association for the organization of the "Giornata della Virtù Civile 2017", support for the work of the Vidas association and a contribution to the Centro Ambrosiano for the organization of Pope Francis' visit to Milan.
- **Charity**. Initiatives of particular interest in 2017 included the re-location of the signage of the Pavilion of the Holy See after the 2015 Milan Expo. This project was joined by numerous charity initiatives to support the Bergamo area, with particular reference to assistance to local organizations and residents.

Outlook

For the outlook for Italmobiliare S.p.A., the reader is referred to the corresponding section in the Financial and private equity segment chapter in the directors' report on Group operations.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE 2017

INTRODUCTION

This report on corporate governance and ownership structure (the "**Report**") describes the corporate governance system adopted by Italmobiliare S.p.A. (hereinafter also referred to as "**Italmobiliare**" or the "**Company**" or the "**Issuer**").

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Code of Conduct for listed companies promoted by the Committee for Corporate Governance, (hereinafter the "**Code of Conduct**" or the "**Code**", available on the Italian Stock exchange website www.borsaitaliana.it).

This Report also illustrates the reasons underlying the non-implementation of certain recommendations of the Code, which the Company's board of directors (the "**Board of Directors**") decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main features of the internal control and risk management system adopted by Italmobiliare (the "**Internal Control and Risk Management System**"), also with reference to financial and non-financial reporting processes.

This Report, approved by the Board of Directors on 6 March 2018, is published in the section "Governance/General Meetings" on the Company's website (www.italmobiliare.it).

The information contained in this Report refers to 2017 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

The format of this Report essentially complies with the "Format for reports on corporate governance and ownership structures" by Borsa Italiana, VII Edition, January 2018 (the "**Format**").

1.0 PROFILE OF THE ISSUER ITALMOBILIARE

Italmobiliare is an investment holding company that holds and manages a diversified portfolio of investments and shareholdings with a strategic vision supported by more than one hundred and fifty years of industrial and financial history.

The Issuer plays an active, continuous role in the portfolio growth and enhancement process, uniting development, internationalization and innovation with an effective governance and risk management model.

The Company adopts the traditional governance model characterized by the presence of a Board of Directors and a board of statutory auditors (the "**Board of Statutory Auditors**"), both appointed by the Italmobiliare shareholders' meeting (the "**Shareholders' Meeting**"), considering it the most suitable governance system to combine "efficient management" with "effective control", and simultaneously pursue the satisfaction of the interests of the Issuer's shareholders (the "**Shareholders**") and the enhancement of the management value.

The Company Corporate Governance system has been devised from the following codes and internal regulations, as well as the Issuer's by-laws (the "**Company By-laws**" or the "**By-laws**"):

a) Organizational, Management and Control Model and Code of Ethics.

b) Procedure on the management of confidential and inside information.

c) Code of Conduct (internal dealing).

d) Procedure for Transactions with Related Parties.

e) Procedure to list the names of parties with access to inside information (the insider list).

f) Market sounding procedure.

g) Regulation of the manager in charge of financial reporting ("**Manager in charge**").

As noted above, the Corporate Governance system of the Company also complies with the provisions and standards set out under the Code, with the exceptions described in more detail in this Report.

The procedures concerning inside information and its processing were adopted as a result of the entry into force of EU Regulation no. 596/2014 (Market Abuse Regulation - MAR), taking into account the relative implementing provisions and considering the recommendations of the European Securities and Markets Authority (ESMA) as well as the Consob Guidelines on the "Management of Inside Information" of October 2017.

With respect to the communication of "non-financial" and "diversity" information ("NFI") pursuant to Directive 2014/95/EU adopted in Italy with Legislative Decree no. 254 of 30 December 2016, by resolution of 6 March 2018 the Board of Directors approved the consolidated non-financial statement for the year ended as at 31 December 2017 in a separate format from the Directors' Report. On this point, at its meeting held on 6 November 2017 the Board of Directors approved the attribution of functions for the supervision and monitoring of the application of the NFI regulation to the Risk and Sustainability Committee (the name of which was simultaneously changed), deeming that it was unnecessary to establish an additional board committee.

The texts of the above mentioned documents are available on the Company's website, except for: (i) the Regulation for the Manager in Charge (Dirigente Preposto), available to the members of the Board of Directors (the "**Directors**"), the Board of Statutory Auditors (the "**Statutory Auditors**") and the Finance, Administration and Control Directors of the Company and all the Group companies reporting to the Issuer (the "**Group**") by distribution in electronic format; and (ii) only the special Part of the Organizational, Management and Control Model, available to all employees in the Company using electronic means.

At the date of publication of this Report, the Company is beginning to complete the activities required to adjust its governance and processes to the provisions laid out by EU Regulation 679/2016 on the General Data Protection Regulation (GDPR), the rules of which will become binding and fully operative as of next 25 May.

The Company, as holding company of the Group, has always been actively committed in modernizing its business culture in order to meet the challenges arising from developments in corporate governance rules. This process fostered and enhanced the sharing of values and the recognition and adoption of good rules of corporate governance, hand in hand with the dissemination of a business culture whose aims are transparency, adequate management and effective control.

The corporate governance structure adopted by the Company, as set up in the binding articles of the Company By-laws and the provisions of the above-mentioned codes and policies, confirms and bears witness to Italmobiliare commitment to comply with national and international best practices.

2.0 INFORMATION ON OWNERSHIP STRUCTURES

a) Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented

The share capital of Italmobiliare amounts to euro 100,166,937, fully subscribed and paid in, divided into 47,633,800 ordinary shares without a nominal value, with the right to vote at the Company's ordinary and extraordinary Shareholders' Meeting.

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may ask, within the deadlines envisaged by the law in force, for the items on the agenda of the shareholders' meeting to be supplemented, stating in their request which further issues are being suggested or for further resolutions' proposals on the items already on the Agenda. In addition, shareholders who, individually or with other shareholders, can prove that they hold an overall stake in the share capital with voting rights that is no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the By-laws.

The new composition of the Italmobiliare share capital, as described above, became effective as of 15 May 2017, following the entry into force of the resolution passed by the Extraordinary Shareholders' Meeting which approved the following on 19 April 2017: (i) the partial voluntary public takeover bid on treasury shares pursuant to Articles 102 et seq. of Legislative Decree 58/1998 (the "**TUF**"), on 4,000,000 ordinary shares issued by Italmobiliare, corresponding to roughly 8.397% of the share capital, at the price of euro 25.00 (ex dividend 2016) per Share; and (ii) the splitting of the shares with no indication of the nominal value according to the ratio of 2 new shares (ISIN: IT0005253205 coupon 1 et seq. entitlement 1/1/17) for each Share (ISIN: IT 0000074598 coupon 27 et seq. entitlement 1/1/17) starting from 15 May 2017 (and, therefore, subsequent to the 2016 dividend registration date of 8 May).

As a result of the effectiveness of the above-mentioned extraordinary transactions, on 15 May 2017 the text in place at the address www.italmobiliare.it in the section "Governance/Documentation /By-laws" was also updated on the same date, and filed at the Milan Business Registry.

The Company has no savings shares or other categories of shares other than the ordinary shares.

The Company does not have any stock option plans either for Directors or for officers. However, based on the assignments resolved in the last few years for the incentive plans in force from time to time, cancelled for the unexecuted portion, as at the date hereof 455,000 options on the stock option plan for Directors, and 159,100 options on the stock option plan for officers are exercisable.

No additional categories of financial instruments granting rights to subscribe newly issued shares, other than the above-mentioned options, have been issued by the Company.

b) Restrictions on share transfers

No restrictions exist on share transfers, such as limits to the possession of shares or acceptance clauses, by the Company or other shareholders.

c) Significant shareholders as disclosed pursuant to Article 120 of TUF (Consolidated law on finance)

The list of Shareholders who have significant shareholdings in the share capital as at 31 December 2017 is shown below, in accordance with Company records pursuant to the communications made in accordance with Article 120 of TUF (Consolidated law on finance).

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

On the basis of publicly available information

SHARE CAPITAL STRUCTURE				
	No. of shares	**% of the share cap.**	**Listed (indicate markets) / non listed**	**Rights and obligations**
Ordinary shares	47,633,800	100%	MTA	Pursuant to the law and the Company By-laws
Shares with multiple votes	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares with no vot-ing rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (granting rights to subscribe newly issued shares)				
	Listed (specify the markets) / unlisted	No. of instru-ments outstand-ing	Category of shares for conversion/exercise	No. of shares for conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

RELEVANT SHAREHOLDINGS			
Declarant	Direct shareholder	% of ordinary share capi-tal	% of voting share capital
Efiparind B.V. (indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)	20,969,250	44.00%	49.99%
Serfis S.p.A.	4,577,884	9.60%	10.91%
Mediobanca S.p.A.	2,894,044	6.10%	6.89%
First Eagle Investment Management, LLC	3,130,484	6.60%	7.46%
Italmobiliare (treasury shares)	5,690,870	11.90%	

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

There are no special powers and the Company By-laws do not provide for shares with multiple or increased votes.

e) Employee shareholdings: mechanism for exercising voting rights

There is no specific shareholdings’ system for employees.

f) Restrictions on voting rights

There are no restrictions on the exercise of voting rights.

g) Shareholders’ agreements pursuant to Article 122 of TUF, of which the company is aware

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights assigned to the shares and the transfer of such shares or any of the situations envisaged by Art. 122 of TUF.

h) Change of control clauses and By-laws provisions on takeover bids

According to the policy to support its activity, the Company and some of the its subsidiaries entered into loan agreements which, according to standard contractual practice, grant the lender organization, in case of a change of control of the Company, the right of withdrawal, or the right to terminate the loan contract early, with the consequent right to demand the remaining principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

As far as takeover bids are concerned, the Company By-laws do not provide for waivers to the provisions of TUF related to the passivity rule or the application of the breakthrough rules.

With reference to the agreements between the Company and the Directors that envisage compensation in the case of resignation or unfair dismissal or if the office ends following a takeover bid, please refer to the Remuneration Report published in accordance with Article 123-ter of the TUF.

i) Authority to increase the share capital and authorizations to purchase treasury shares

On 29 May 2012, the Extraordinary Shareholders' Meeting decided to "*grant the Directors the powers, in one or more times within a period of five years from the resolution:*

- *under Art. 2443 of the Italian Civil Code, to increase share capital once or more times up to a maximum amount of euro 260 (two hundred and sixty) million, free-of-charge or against consideration, by issuing ordinary and/or savings shares, also to serve bonds issued by other entities convertible into ordinary and/or savings shares of the Company or that are combined with warrants for the subscription of ordinary and/or savings shares of the Company;*
- *under Art. 2420-ter of the Italian Civil Code, to issue once or in various times bonds to be converted into ordinary and/or savings shares or with warrants to acquire ordinary and/or savings shares, up to a maximum overall amount of euro 260 (two hundred and sixty) million, in compliance with the terms and conditions established by the laws and regulations in force from time to time, with the consequent share capital increase to serve such conversion or the exercise of the captioned warrant.*

All with the widest powers connected thereto, including those of offering the shares and convertible bonds or with a warrant according to the penultimate clause of Art. 2441 of the Italian Civil Code; reserve up to a quarter of them under Art. 2441 of the Italian Civil Code, last clause; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion ratios, terms and modes for the execution of the transactions".

At the date of this Report, the authorization pursuant to the resolution mentioned above has expired.

The Company has not issued equity instruments of any kind, nor do the By-laws grant any power for their issue to Directors as of the date hereof.

On 19 April 2017, the Shareholders' Meeting resolved:

"*1. to revoke the resolution authorizing the acquisition and disposal of treasury shares adopted by the Ordinary Shareholders' Meeting of 21 April 2016;*

2. to authorize, pursuant to and in accordance with Art. 2357 of the Italian Civil Code, the acquisition, on one or more occasions for the period of 18 (eighteen) months as of the date of this resolution, of ordinary shares of the Company, up to a maximum which, taking into account the Italmobiliare S.p.A. ordinary shares held from time to time in the portfolio by the Company and by its subsidiaries and the shares that may be acquired as part of the voluntary takeover bid, is no higher than the maximum limit established by regulations applicable pro tempore, granting a mandate to the Board of Directors to identify the amount of shares to be acquired in relation to each of the purposes laid out above before the initiation of each individual acquisition program;

3. to establish that the consideration of the treasury shares acquired shall not be 15% lower or higher than the average reference price recorded in the Italian Stock Exchange during the three trading sessions preceding each individual acquisition transaction;

4. to authorize the Board of Directors to, pursuant to and in accordance with Article 2357-ter of the Italian Civil Code, dispose, at any moment, all or in part, on one or more occasions, of the treasury shares acquired under the authorization pursuant to point 2 above, through their sale in the stock market or outside the market, also for the purpose of any acquisitions and/or for the development of alliances consistent with the strategic policies of the Italmobiliare group, or as part of any future distribution of dividends or reserves in kind, or as part of the management and employee incentive plans, or to intervene, in compliance with provisions in force, directly or via intermediaries, to limit anomalous price fluctuations and to regularize trading and pricing trends, against temporary distorting phenomena linked to excess volatility or low trading liquidity, in accordance with the terms, methods and conditions of the deed of disposal of the treasury shares deemed most appropriate in the interest of the Company, without prejudice to the fact that the unit sale price (or in any event the unit value established as part of the disposal transaction) cannot in any case be lower than the average book value of the shares acquired on the basis of the authorization (without prejudice to the fact that this limit shall not be applicable if the disposal of shares takes place with employees of Italmobiliare

SpA and its subsidiaries, parent companies and other companies controlled by the latter or members of the Board of Directors of Italmobiliare SpA who hold particular offices in compliance with the deed of incorporation or who have specific operational duties, as part of the share-based incentive plans for employees and Directors ("stock option plans"), as well as in the case of the use of treasury shares within the context of any extraordinary finance transactions or for other uses deemed of financial, operational and/or strategic interest for the Company). The authorization pursuant to this point is granted with no time limits;

5. to provide, pursuant to the law, that the acquisitions pursuant to this authorization be restricted within the limits of distributable profits and available reserves as set forth in the most recent financial statements (including interim) approved at the moment the acquisition is carried out;

6. to grant a mandate to the Board of Directors for it to make the appropriate accounting entries resulting from the treasury share acquisition and disposal transactions, in observance of provisions of law and the accounting standards applicable from time to time;

7. *to grant a mandate to the Chairman of the Board of Directors and to the Chief Executive Officer in office pro tempore, with the right to sub-delegate, so that, even separately and by means of proxies, they may enact the transactions subject to this resolution".*

Within the scope of the authorization decided on, the Company purchased 3,999,832 treasury shares during the year, and granted some of the shares held in its portfolio to stock options' beneficiaries, who exercised vested rights.

Therefore, on 31 December 2017, the Company held 5,690,870 ordinary treasury shares, equal to 11.9% of the share capital part of which to be used to serve the "Stock option plan for Directors" and the "Stock option plan for Officers".

l) Management and coordination activity

Efiparind B.V. is the relative majority shareholder of Italmobiliare.

As at 31 December 2017, according to publicly accessible data as well as other information held by the Company, Efiparind B.V. indirectly holds, net of the treasury shares held by Italmobiliare itself, 49.99% of Italmobiliare ordinary shares, representing the share capital with voting rights.

Pursuant to the joint provisions of Arts. 2497 et seq. and Art. 2359 of the Italian Civil Code, no company or entity exercises management and coordination activity over Italmobiliare.

3.0 COMPLIANCE

Italmobiliare complies with the Code of Conduct.

The Code can be accessed by the public on the website of the Committee for Corporate Governance of Borsa Italiana at the website: http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm.

Although the Company did not follow the Code recommendation regarding the establishment of the Appointment Committee in the year ended at 31 December 2017, on 6 March 2018 the Board of Directors resolved, *inter alia*, to attribute the appointment functions specified in the Code to the already formed Remuneration Committee.

Although in the year ended at 31 December 2017 the Board of Directors did not follow the recommendations of the Code regarding i) the adoption of a succession plan for executive Directors and ii) the adoption of the Shareholders' Meeting Regulation, it however granted a mandate during its meeting on 6 March 2018 to the competent board bodies to evaluate possible developments in these areas. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

The Board of Directors is always open to evaluating any new orientations that may occur in the Code and their possible inclusion in the Company's corporate governance system, provided that, consistently with Company policy, the recommendations given by the Code allow the Company to enhance its trustworthiness towards investors.

The Company or its strategically significant subsidiaries are not subject to provisions of non-Italian law that influence the Company's corporate governance structure.

4.0 BOARD OF DIRECTORS

The Board of Directors is responsible for defining the strategic direction of the Company and the Group and it is in charge of the management. To this end, pursuant to the By-laws, it is vested with all the necessary powers for the ordinary and extraordinary management of the Company, since it is competent on everything that is not expressly reserved by law and the By-laws to the Shareholders' Meeting.

In addition to the powers conferred to it by law and by the By-laws regarding the issue of shares and bonds, the resolutions concerning the following matters are also entrusted to the Board of Directors - without prejudice to the Shareholders' Meeting authority, existing by operation of law -, in compliance with Art. 2436 of the Italian Civil Code:

- incorporation of companies that are fully owned or at least 90% owned;
- transfer of the registered office, as long as within the (Italian) national territory;
- establishment or closure of branches, whether in Italy or abroad;
- reduction of share capital in the event of withdrawal of a shareholder;
- amendment of the By-laws to comply with mandatory legal provisions.

The Board of Directors, in compliance with the provisions of the By-laws, meets at least once in each calendar quarter. At such meeting, the delegated bodies report to the same Board of Directors and to the Board of Statutory Auditors on significant transactions put in place in the exercise of delegated powers.

4.1 APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS

The Company By-laws, in compliance with the provisions of current legislation, provide that the appointment of the Board of Directors shall occur on the basis of lists that ensure that the minority shareholders obtain the minimum number of Directors required by law and should comply with the regulations in force concerning the gender balance.

Lists must be filed at the Company's head offices at least 25 days before the date set for the Shareholders' Meeting on first or single call; this, together with the conditions and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights not lower than that determined by Consob pursuant to the regulations in force. No shareholder may file or participate in the filing of more than one list, directly or through a nominee or trust company, or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, not even through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

Pursuant to the By-laws, the lists that have a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender may be represented by at least one third (rounded upwards) of the candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:

- accept their candidature;
- state, under his/her own responsibility:
  - o the non-existence of causes of ineligibility;
  - o fulfilment of the good reputation requirements established by the law;
  - o the possession of any independence requirements that may be required by the law and the Code. The latter is a principle already contained in the Code of Conduct originally adopted by the Company, now outmoded by the Code and which the Company has complied with. The Board of Directors considered it appropriate to keep this principle in line with the best practices governing the matter.

b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

The By-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF. Any elected Directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office. A number of Directors that is not less than the minimum amount required by law must possess the independence requirements provided under current legislation.

If the list filed does not comply with the above provisions will be considered as not presented.

At least 21 days before the Shareholders' Meeting date, the Company makes available at the Company premises, at the stock exchange and on its website, the lists of candidates which have been filed by shareholders along with supporting documentation.

In the event of filing of more than one list:

a) all the Directors are elected from the list that obtains the highest number of votes at the Shareholders' Meeting, in the order in which they are listed, except for the minimum number reserved by law for the minority shareholders' list;

b) the minimum number of Directors reserved by law to minority shareholders are elected from the minority shareholders' list that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;

c) should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

For the purposes of the apportioning of the Directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is significant for the purposes of excluding the minority shareholders' elected Director only if this vote was crucial for the election of said Director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on lists or the voting on the only list presented, the composition of the Board of Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the list that has obtained the highest number of votes or within the only list presented, starting from the candidate in the last place of the same list. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the list that has obtained the highest number of votes, or within the only list presented.

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of Directors holding the independence qualification required by the law is guaranteed.

If during the year one or more Directors should cease to hold office, due to resignation or any other reason, the others shall make provision to replace them with a resolution approved by the Board of Statutory Auditors, provided that the Directors appointed by the Shareholders' Meeting continue to constitute the majority.

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the Directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves upon the replacement of Directors, in compliance with the above principles, with a simple majority of the share capital represented at the Shareholders' Meeting.

The term of office of Directors appointed this way will end at the same time as that of the Directors serving at the time of their appointment.

No limits to re-eligibility of Directors have been envisaged, although Directors holding the same position for more than nine years in the last twelve years could be considered - on a voluntary basis - no longer to meet the independence qualification pursuant to the Code.

The Company is not subject to additional rules on the composition of the Board of Directors.

The rules applicable to the amendment of the By-laws do not deviate from the legislative and regulatory rules applicable on a supplementary basis.

The Board of Directors decided not to adopt succession plans for Executive Directors, as laid out by Application Criterion 5.C.2 of the Code.

4.2 COMPOSITION

The composition of the Board of Directors as at 31 December 2017 is shown in Table 2 attached to this Report, with a specification for each member of the title, the role covered within the Board of Directors and the time in office since initial appointment.

The main personal and professional characteristics of the members of the Board of Directors are specified in the documentation filed at the time of appointment in the "Governance/General Meetings" section of the Company website www.italmobiliare.it.

The Company By-laws provide that the Company shall be managed by a Board of Directors consisting of 5 up to 15 members, appointed at Ordinary Shareholders' Meeting, for the period decided at the time of appointment, but in no event for more than three fiscal years and they may be reappointed when their term of office expires.

The Board of Directors currently in office is made up of fourteen members, appointed by the Shareholders' Meeting of 19 April 2017 and its term of office expires upon approval of the financial statements for the year 2019. The average age of the Board members is 52. On the same date, the Shareholders' Meeting appointed Giampiero Pesenti as "Honorary Chairman", with the full support of the Board of Directors, underscoring the fifty years of passionate work he has dedicated to the Company. The Honorary Chairman was not assigned delegations or executive duties.

Thirteen out of fourteen members of the Board of Directors are non-executive and, of these, ten Directors are independent in accordance with the Consolidated law on finance (TUF); seven of them also have the independence qualification set out by the Code. According to the rules on gender balance, a third of the members is reserved for the less represented gender.

In accordance with the By-laws, on 27 July 2017 the Board of Directors co-opted Elsa Fornero as a member of the Board of Directors to replace Livia Pomodoro who resigned from office on 13 June following an additional analysis relating to interlocking directorates.

Of the fourteen members of the Board of Directors in office, Antonio Salerno represents the minority shareholder RWC Asset Management LLP.

In accordance with regulations the curricula of the Board Members are promptly published on the Company's Internet site at the time of appointment.

Diversity policies

The Company has not approved specific policies on diversity as, with the awareness that diversity and inclusion represent the fundamental elements of the corporate culture, the composition of the Board of Directors has evolved over time in accordance with best practices so as to guarantee comprehensive representation in terms of experience, age and gender. On the basis of this broad wealth of skills and ideas, the Board of Directors may rely on the contribution of authoritative points of view capable of examining the various matters under discussion from various perspectives.

Executive Directors

The Company By-laws provide that, unless the Shareholders' Meeting has already done so, the Board of Directors is entitled to appoint the Chairman and possibly one or more Deputy Chairmen and to determine their powers.

The Board of Directors, in accordance with law provisions and the By-laws, can delegate its powers to an Executive Committee, made up of some of its members, and determine their number and powers. The Board of Directors can also delegate its powers to only one of its members, with the title of Chief Executive Officer - CEO - and determine the limits of such empowerment. The Board of Directors or the Executive committee, if it has been appointed, can appoint, also from outside the Board of Directors, a Chief Operating Officer - COO -, and determine his/her term of office and the relevant attributions, powers and remuneration.

On 19 April 2017 the Board of Directors appointed, among its members, in addition to the Chairman, a Deputy Chairman and a Chief Executive Officer - Chief Operating Officer. After the resignation of Livia Pomodoro, there is only one Deputy Chairman in office as of 13 June 2017.

The Chief Executive Officer - Chief Operating Officer is considered an Executive Director and the Board of Directors, upon appointment, granted him duties and powers identifying any quantitative limits.

The Board of Directors also granted the Executive Committee all its powers except for those that pursuant to the Italian Civil Code and the By-laws may not be delegated, to be exercised within the limit of euro 75 million for each transaction. The resolutions of the Executive Committee are reported to the Board of Directors at its next meeting.

The consistency of direction and coordination of activities is ensured by the presence of the Chief Executive Officer - Chief Operating Officer and the Company managers on the Boards of Directors of the main subsidiaries.

Maximum number of offices held in other companies

In accordance with the Code, the Board of Directors meeting of 2 March 2017 defined the following:

- five (in the position of Executive Director) and
- ten (in the position of non-executive Director or independent Director or Statutory Auditor)

as the maximum number of offices that can be held as Director or Statutory Auditor in other companies listed on regulated markets including abroad, in financial, banking, insurance or major companies, considered compatible with the effective performance of the office of Director, also taking into account the participation of Directors in Committees established within the Board of Directors, with the exception of its subsidiaries, parents and companies subject to joint control.

With a resolution at its meeting on 6 March 2018, the Board of Directors reduced to four the maximum number of offices that Directors of the Company can hold in other listed companies, apart from group companies, eliminating the distinction between executive and non-executive roles, and the reference to financial, banking, insurance or large companies.

A list of offices as Director or Statutory Auditor held by Each Director in other companies listed on regulated markets even abroad, in financial, banking, insurance or major companies, at the date of this Report, is set out below:

Laura Zanetti	Coima Res S.p.A.	Director
	Italgas S.p.A.	Statutory Auditor
Livio Strazzera	Serfis S.p.A.	Sole Director
Carlo Pesenti	Clessidra SGR S.p.A.	Chairman
	Tecnica Group S.p.A.	Director
	Teclor S.r.l.	Director
Vittorio Bertazzoni	Erfin S.p.A.	Deputy Chairman and Chief Executive Officer
	SMEG S.p.A.	Deputy Chairman and Chief Executive Officer
Mirja Cartia d’Asero	Casa Damiani S.p.A.	Director
	Prelios S.p.A.	Director
	Mita S.r.l.	Director
	Re Star S.r.l.	Chief Executive Officer
	Devar S.r.l.	Director
	Calliope Finance S.r.l. in liquidation	Liquidator
	MCD S.r.l.	Director
	Devar II S.r.l.	Director
Elsa Fornero	Buzzi Unicem S.p.A.	Director
	Centrale del Latte S.p.A.	Director
Luca Minoli	Cemital S.p.A.	Chairman
	Finanziaria Aureliana S.p.A.	Chairman
	Privital S.p.A.	Chairman
Chiara Palmieri	Snaitech S.p.A.	Director

Clemente Rebecchini	Assicurazioni Generali S.p.A.	Deputy Chairman
Massimo Tononi	Prysmian S.p.A.	Non-Executive Chairman
	Istituto Atesino di Sviluppo S.p.A.	Non-Executive Chairman
	Il Sole 24 Ore S.p.A.	Director
	Mediobanca S.p.A.	Director

Induction programme

The Chairman ensures that the Directors participate in initiatives to provide them with adequate knowledge of the Company's business segment, company trends and their evolution, the principles of proper risk management and the reference regulatory and self-regulatory framework.

In particular, two separate induction sessions were held in 2017:

a) the first on 27 July 2017 concerning the activities of the Group investees;
b) and the second on 6 November 2017, with the contribution of PricewaterhouseCoopers S.p.A., which described to the Directors the new International Financial Reporting Standards (IFRS) no. 9 (financial instruments), no. 15 (revenue from contracts with customers) and no. 16 (leases), which will soon be applied.

4.3 ROLE OF THE BOARD OF DIRECTORS

The Chairman, or if he is absent, the Deputy Chairman, coordinates the activities and conducts the meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is disclosed to the Directors and Statutory Auditors properly in advance, when there are no grounds for confidentiality such so as not to permit advance distribution of the material.

The Board of Directors set as at least two days the prior notice period to be observed in order to submit the aforementioned documentation. Such prior notice period was met during 2017.

When the material is particularly complex, specific explanatory notes prepared by the corporate functions are also sent in order to facilitate the adoption of resolutions by the Directors. All documentation is sent by e-mail in files protected by passwords only known to the recipients in order to preserve confidentiality of the data and information provided. Starting from 31 January 2017, the documents and information relating to the Board of Directors meetings will also be managed electronically using the Infocert MeetingBook system with a view to improving security/confidentiality in the exchange and processing of the pre-board meeting disclosure.

Moreover, the Chairman, through the competent company functions, ensures that Directors participate in initiatives aimed at increasing their knowledge of the company's operations and dynamics and are informed on key legislative and regulatory developments having an impact on the Company and its corporate bodies.

The Board of Directors meets at least every quarter to approve the financial statements for the period and the data relating to additional periodic information. At those meetings, the delegated bodies report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-laws, the Board of Directors meets anytime deemed necessary by the Chairman, or the Deputy, or upon request of a member of the Board of Statutory Auditors to the Chairman of the Company.

During 2017, the Board of Directors held eleven meetings. Eleven Directors attended all of the meetings; two Directors participated in nine meetings and one Director participated in ten meetings. One Independent Director (Massimo Tononi) was always present; one Independent Director (Clemente Rebecchini) attended nine meetings out of eleven. Nine meetings of the Board of Directors were attended by all members of the Board of Statutory Auditors, one Statutory Auditor was absent from the remaining two meetings.

All meetings of the Board of Directors were attended, by invitation, by the Manager in Charge. Some meetings were also attended by managers of the Company and of the subsidiaries to provide additional information. The following attended multiple times: Mr Enrico Benaglio, Head of the Investment Management department and Investor relations, Mr Enrico Felter, Head of Legal and Corporate Affairs, Ms Delia Strazzarino, Head of Internal Audit, Mr Giuliano Palermo, Manager of the Development and Investment Department, Mr Carlo Alberto Bruno, Head of Finance and Treasury, Mr Paolo Petrilli, Head of Human Resources, Mr Matteo Benusiglio, Assistant to the Chief Executive Officer - Chief Operating Officer and Mr Mario Fera, CEO of Clessidra SGR, an asset management company in which the Company has a 100% holding.

The average duration of the meetings of the Board of Directors held during 2017 was three and a half hours.

As required by the Code and as per common practice, the Board of Directors, when examining and approving the financial statements for the period, taking into particular consideration the information received from the delegated bodies, assesses the overall company performance by comparing the results achieved with those planned in the annual budget.

The Board of Directors has met three times so far in 2018, with the first meeting to approve the 2018 budget, assess the impairment test methods used for 2017, update the organizational structure and examine the Audit plan; the second to examine ongoing projects, the third to approve the 2017 draft financial statements. To date, at least another three Board of Directors meetings are scheduled for the current year for the approval of the half-yearly interim report and the periodical additional financial information.

The meetings calendar in which the results for the year or period are examined is disclosed to the market on an annual basis and published on the Company's website in the section Investor / Financial Calendar. The 2018 calendar was published on 5 January 2018.

The Board of Directors is responsible for examining and approving the Company's strategic, industrial and financial plans, as well as periodically monitoring their implementation.

The Board of Directors also has the task of passing resolutions regarding:

a) transactions with a significant strategic importance and impact on Italmobiliare financial position and results of operations, put in place by the Company itself and by its subsidiaries;
b) transactions with related parties, as governed by specific company procedure and in compliance with the conditions provided therein.

The Board of Directors is also entrusted, with reference to the Company and the subsidiaries, with *i)* the assessment on the overall operating performance, *ii)* the assessment of the adequacy of the organizational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, which is overseen by the Director in charge, under the powers delegated to him by the Board of Directors itself, *iii)* the definition of the Company's corporate governance system, *iv)* the granting of powers to the executive Directors and *v)* the determination of the remuneration of Directors vested with special powers and key management personnel.

The Directors act and make decisions on an informed basis and independently pursuing the primary objective of creating value for Shareholders. They hold their office dedicating the necessary time for the diligent performance of their duties.

As envisaged by the Code, on 6 March 2018 the Board of Directors assessed the size, composition and functioning of the Board of Directors itself and its Committees, after the appointment made by resolution of the Shareholders' Meeting of 19 April 2017.

To that end, at the end of 2017 the Company distributed a self-assessment questionnaire to all Directors asking about their overall evaluation of the functioning and composition of the Board of Directors and allowing them to make recommendations or comments. The questionnaire consists of a series of affirmations for which each recipient was asked to provide an assessment on the basis of a scale from 1 to 5. The Board of Directors did not rely on the work of external advisors for the self-assessment, in which all independent members of the board of directors participated.

The questionnaire was returned anonymously by 13 Directors out of 14.

No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting or is required by the By-laws. In addition, no Director is a partner with unlimited liability of any competitors or exercises a competing business on its own or on behalf of third parties or is a director or Chief Operating Officer of competitors.

4.4 DELEGATED BODIES: EXECUTIVE COMMITTEE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The granting of powers is based on the principle of segregation of duties.

The delegation of powers does not exclude the competence of the Board of Directors, which in any case holds a superior steering and controlling power over the Company's general activities as to its various components.

Of the five members of the Executive Committee, only one is an Executive Director, i.e., the Chief Executive Officer. Of the remaining four: three are independent pursuant only to the TUF, and of these, one is also independent pursuant to the Code, while the fourth member is not independent pursuant to either the TUF or the Code.

Within the Board of Directors, the allocation of powers is as follows:

- to the **Executive Committee**, consisting of five members, all the powers and the assignments of the Board of Directors, except for those which the law and the By-laws do not allow to be delegated, to be exercised within the limit of euro 75 million for each transaction. As specified when it was appointed, the decisions of the Executive Committee must be reported to the Board of Directors at the first available meeting. During 2017, the Executive Committee met once, with all its members and all the members of the Board of Statutory Auditors in attendance, to review an investment proposal. The Executive Committee has not yet met in 2018;
- to the **Chairman**, Ms Laura Zanetti, duties have been attributed to submit proposals for resolutions of the Board of Directors and/or the Executive Committee; duties to supervise and ensure the compliance with Corporate Governance principles approved by the Company, proposing any amendment to them to be submitted to the Board of Directors for approval; to supervise the regularity of the meetings and actions of the corporate bodies and supervise the actions of the Chief Operating Officer with reference to real estate management transactions. In addition to the representation powers envisaged by the Company By-laws, the Chairman was granted, among others, the powers to act, including before the criminal court, to protect the Company's interests, with the broadest mandate in terms of the capacity to lodge actions in criminal court, including the right to sign and submit charges and lawsuits against those liable for offences to the detriment of the Company and with all ensuing and subsequent powers, including the right to appear as a civil party against those liable, as well as grant special power of attorney with such powers to trusted individuals and appoint attorneys and proxies; to appoint consultants in general, establishing the relative remuneration, compensation and any deposits, suspending, concluding and changing the relationship, with the right to grant special powers of attorney with such powers to other people; to grant special and general powers of attorney, also granting the corporate signature, individual or joint, and with the powers and attributions that will be considered necessary for the best performance of the company; to negotiate and conclude any transaction or contract for real estate purchase or sale, exchange and property division, for the establishment of easements or property rights in general, permitting and requesting mortgage registrations, cancellations and entries, waiving legal mortgages and releasing the real estate registrar from all liability and with the right to appoint to replace her, for each transaction or contract, one or more special attorneys with all required powers, with the limit of euro 20 million with joint signature with the Chief Operating Officer;
- to the **Chief Executive Officer - Chief Operating Officer**, Mr Carlo Pesenti, among others, the tasks of submitting proposals for resolutions of the Board of Directors and/or the Executive Committee; of supervising the execution and implementation of investment plans as defined by the Board of Directors and/or the Executive Committee; of supervising the management policies and business development strategies of Italmobiliare and the main directly and indirectly controlled companies; supervising and directing the activities of Italmobiliare and its main subsidiaries; establishing guidelines for the management of the main companies in which Italmobiliare holds, directly or indirectly, an interest that allows it to exercise significant influence; taking care of the organization and

proposing to the Board of Directors the main organizational changes. At the same time he was granted, among others, aside from the representation powers laid out in the Company By-laws, the powers to perform all administrative and disposal acts on the management of the Company among which securities and credit transactions, to undertake on behalf of the Company bonds of any kind, also secured by collateral, accept guarantees, loan collateral and guarantees in favour of third parties as long as these are direct or indirect subsidiaries of Italmobiliare, acquire and dispose of government securities, bonds, land, stocks, company shareholdings, performing sale or purchase carry-over and forward transactions on securities within a maximum amount of euro 20 million, for each transaction. The Chief Executive Officer - Chief Operating Officer may be qualified as the main party responsible for company management.

The Chief Executive Officer - Chief Operating Officer is not a Director in another listed company not belonging to the Group for which a Company Director is a chief executive officer.

Other powers for current management activities were granted to managers of the Company, to the extent of their respective duties.

The Chairman, the Chief Executive Officer - Chief Operating Officer have periodically reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and by the Company By-laws, about activities undertaken within their assignments and powers. The most important transactions undertaken by the Company or by the subsidiaries with an impact on its financial statements, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been always submitted to the Board of Directors, even when within the limits of their powers.

4.5 OTHER EXECUTIVE DIRECTORS

Apart from the Chief Executive Officer - Chief Operating Officer, no other Directors are considered to be “executive” within the scope of the definition in Application Criterion 2.C.1 of the Code.

4.6. INDEPENDENT DIRECTORS

In accordance with the regulations in force, at least one of the members of the Board of Directors, or two in case it is composed of more than seven members, must meet the independence requirements established by law for members of the Board of Statutory Auditors.

The Code also requires that the number and qualifications of independent Directors be adequate in relation to the size of the Board of Directors and the Company’s activities and such as to allow the establishment of committees within the Board of Directors; also under the Code, there must be at least two independent Directors.

In compliance with the provisions and recommendations mentioned above, each individual concerned, upon submission of the lists of candidates for the office of Director, must declare that he/she meets the requirements for independence under the TUF and pursuant to the Code. The Directors which, in the lists for appointment, specified their suitability for qualification as independent, have committed to promptly notifying the Board of Directors of all subsequent changes in the statements provided upon appointment. The Board of Directors, at its first meeting after the appointment of its members, verified, on the basis of information provided by each person or information available to the Company, that Directors who have declared to be independent actually meet the independence requirements.

Moreover, at the time of preparing the annual Report on Corporate Governance, the Company reiterates its request to all Directors in office to declare the existence or not of such requirements. Their responses are submitted to the Board of Directors for the consequent independency evaluation on an annual basis.

The results of the Director independence verifications are disclosed to the market on occasion of appointment and shown annually in this Report on the page regarding corporate bodies and in Table 2 attached to the Report.

In case the independence requirements prescribed by law are no longer met, the Director concerned must give prompt communication thereof to the Board of Directors. This circumstance entails the removal from office of such Director, except in cases where such requirements are still met by at least the minimum number of Directors required by current legislation.

The current Board of Directors consists of ten Directors meeting the requirements of independence provided by law, seven of whom are also considered independent on the basis of the criteria set out in the Code.

For the year 2017, the Board of Directors evaluated the fulfilment of the independence requirements by each of the non-executive Directors in compliance with the criteria laid out above. Criteria in addition to those laid out in the Code have not been applied. Furthermore, the Board of Statutory Auditors verified the correct application of the criteria and verification procedures adopted by the Board of Directors to assess the independence of its members.

During 2017, all the independent Directors met once in the absence of the other Directors.

4.7 LEAD INDEPENDENT DIRECTOR

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board of Directors should appoint an independent Director as “Lead independent director”, to provide a reference for and coordinate requests and contributions of non-executive Directors and, in particular, independent Directors.

Since neither of these two conditions applied, the Board of Directors resolved to not appoint a Lead Independent Director for the 2017-2019 term of office, in its meeting on 19 April 2017.

5.0 PROCESSING CORPORATE INFORMATION

On 29 November 2016, the Board of Directors of the Company, as a result of the entry into effect of the MAR and the related implementing provisions, approved a procedure (most recently updated on 2 March 2017) relating to the management of “confidential” information and “inside” information.

The procedure can be accessed at the address www.italmobiliare.it in the section “Governance/Documentation”.

The rules of conduct and principles to be observed in the procedure are aimed at:

a) ensuring maximum confidentiality of the Inside Information or information that could become inside information (Confidential Information), taking account of the interest in the confidentiality of the information as it is being formed, and the obligation to make non-selective disclosures, also in compliance with inside information regulations;
b) protecting the investors and market integrity, preventing any situations of information asymmetry, and preventing any parties from being able to use non-public information to operate on the markets;
c) protecting the Company from any liability that may be incurred following any unlawful behaviour involving market abuse carried out by related parties, or more generally, following behaviour that breaches the principles of confidentiality.

This procedure is an essential component of the Internal Control and Risk Management System of the Company, and the overall system in place to prevent offences pursuant to Legislative Decree no. 231 of 8 June 2001, and more specifically, the Organizational model adopted by the Company for that purpose.

The rules of procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

Moreover, since 2006, the Company, as required by Consob has established and regularly updated a register of persons who, by virtue of their job or professional duties or by virtue of the functions performed, have access to inside information and has prepared the implementation procedure related thereto.

With the entry into effect of the new “Market Abuse Regulation”, a new procedure was set up to list the parties who have access to inside information (insider list procedure) which is closely connected to internal policies relating to the management and communication to the public of inside information and communication of the transactions carried out by key Company parties relating to shares (or related financial instruments) issued by the Company.

The procedure was adopted in accordance with current legislation to meet the obligations of Italmobiliare to draw up a list (List) of persons who, due to their working or professional activities, or the jobs carried out, have access to inside information pursuant to Article 7 of Regulation no. 596 of 16 April 2014 of the European Parliament and of the Council (Regulation no. 596/2014).

The Organizational, Management and Control Model adopted by the Company in accordance with Legislative Decree no. 231/2001 provides, inter alia, that it should be established as an instrument to prevent the offences provided for under market abuse regulations.

The Procedure shall apply each time a party manages or has access, even on an occasional basis, to inside information.

In accordance with current legislation, inside information refers to information that:

a) is precise;

b) has not yet been made public;

c) concerns, directly or indirectly, Italmobiliare or its financial instruments;

d) could, if made public, have a significant effect on the price of the listed financial instruments issued by Italmobiliare or its related derivative instrument prices.

Information is considered to be valuable if it refers to a series of existing circumstances or which could be reasonably expected to be created, or an event that occurred or that could be reasonably be expected to occur and if that information is sufficiently specific to allow conclusions to be drawn on the possible effect of said set of circumstances or said event on the prices of the financial instruments or the related derivative financial instrument, of the related spot contracts on commodities.

For information that, if communicated to the public, could probably have a significant effect on the prices of the financial instruments or the financial derivatives or the related spot contracts on commodities, we mean information that an investor could reasonably probably use as one of the elements on which to base his/her investment decisions. The information will cease to be considered inside information when it has been disclosed to the public pursuant to current legislation and regulations, in accordance with the principle of parity of information.

The Company will establish and maintain the List in accordance with management procedures that ensure easy consultation and extraction of the data contained, accuracy and inability to change the data, traceability of the accesses to permit subsequent checks and obtain previous versions, also adopting adequate security, completeness and confidentiality procedures for the data, and the management of so-called “delays”.

The List will be kept on a computer and can only be accessed by the Party in Charge, or the parties who are expressly authorized by the Party in Charge, who belong to the Legal and Corporate Affairs Department.

The List will be structured to contain at least the following information:

a) date and time of creation of the List section, or identification of the inside information;

b) description of the specific inside information;

c) date and time of most recent update;

d) date sent to the applicable Authorities;

e) identification details of the listed party;

f) if it is a natural person, name, surname (maiden name if different), tax code (or other national identification number if it is a foreign party), place and date of birth, complete private address (road and number of house, location, area code and country), work telephone number (direct land line number and mobile phone number), private telephone numbers (house and personal mobile phone number), email address;

g) if it is a company or other legal person, entity or professional association: name, complete address of the registered office, tax code or VAT Reg. no., indication of the reference natural person who can identify and inform the persons who have access to the inside information in the legal person, entity, or association (for that reference person, all the data required under “natural person” mentioned above will also be required);

h) position in the company or organizational responsibility of the person listed or office where the person works in the Company;

i) reason for listing;

j) date and time at which the person on the List had access to the inside information;

k) date and time at which that person ceased to have access to the inside information.

The List is updated by entering the information and data sent to the Party in Charge in accordance with this Procedure or known directly by this person.

If the Company has decided to delay communication of the inside information to the public, the Party in Charge will manage the “delay” in accordance with procedures.

6.0 INTERNAL BOARD COMMITTEES

In order to ensure the effective performance of its functions, the Board of Directors has set up an internal Remuneration Committee and a Risk and Sustainability Committee whose resolutions have a consultative and advisory nature and do not bind the Board of Directors.

Moreover, pursuant to the rules applicable to transactions with related parties, the Board of Directors established an internal Committee for Transactions with Related Parties, composed of independent Directors only.

The Composition and functioning of the Remuneration Committee are described in paragraph 8.0 below.

The Composition and functioning of the Risk and Sustainability Committee are described in paragraph 10.0 below.

The Committee for Transactions with Related Parties is composed of three members, all non-executive and independent, and it is chaired by Valentina Casella (Paolo Sfameni until the end of the previous 2016-2017 term of office, coinciding with the Shareholders’ Meeting which approved the financial statements for the year ending on 31 December 2016, held on 19 April 2017).

During the year, the Committee met three times, to approve the appointment of the Chairman and the Secretary for the 2017-2019 three-year period, to examine the intra-group contracts in place and with respect to an induction of Elsa Fornero.

In carrying out their functions, the Committees are entitled to access corporate information and functions necessary for the performance of their duties, and may use external consultants at the expense of the Company.

Each Committee appoints a Secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings. For all Committees mentioned above, the Legal and Corporate Affairs Director performs the functions of Secretary.

There are no committees in addition to the Executive Committee and the Committees required by the Code, without prejudice to what is specified below with reference to the functions of the Risk and Sustainability Committee.

7.0 APPOINTMENT COMMITTEE

Considering the stable presence of a relative majority Shareholder which is able to significantly influence the Shareholders' meetings, the Company decided not to proceed, as it had in the past, with the establishment of an "Appointment Committee" as it has always taken its decisions in full autonomy proposing people with the appropriate characteristics of competence, prestige, expertise and availability, as provided for by the Code, for the list of candidates to the Board of Directors.

However, as specified in paragraph 3.0 above, on 6 March 2018 the Board of Directors resolved, *inter alia*, to attribute the appointment functions specified in the Code to the already formed Remuneration Committee, renaming it the Remuneration and Nomination Committee, in accordance with the Code of Conduct.

8.0 REMUNERATION COMMITTEE

The Company's Board of Directors has established a Remuneration Committee from within its ranks, the meetings of which are duly recorded in minutes and the work of which is coordinated by a Chairman, who reports on it at the next possible Board of Directors meeting.

During the year the Remuneration Committee met six times, five times with all its members present; the average duration of its meetings was approximately one hour. All members of the Board of Statutory Auditors attended four meetings, and two Statutory Auditors attended the others. The Company Chairman, the Head of Human Resources and, at the invitation of the Committee and limited to individual agenda items, the independent advisory firm SpencerStuart, are also regularly invited to participate in the Remuneration Committee meetings.

A number of meetings has not been planned for the year 2018, during which the Remuneration Committee has so far met once to evaluate the adequacy, overall consistency and concrete application of the general policy adopted for the remuneration of executive Directors, Directors who hold particular offices and key management personnel; as well as to examine the proposals and give its opinion to the Board of Directors regarding the staff bonus policies, to evaluate the achievement of performance targets for the 2017 MBO and the LTI 2017-19 annual component; to examine the proposals and give its opinion to the Board of Directors regarding the 2018 MBO and lastly to examine the Remuneration Report.

The Committee currently in office is made up of three non-executive, independent members. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them.

Directors must abstain from taking part in the Remuneration Committee meetings during which proposals to the Board of Directors regarding their own remuneration are defined.

In performing its functions, the Remuneration Committee had regular access to the corporate information and functions necessary to carry out its duties.

The Remuneration Committee, under the Code, is responsible for (i) periodically assessing the adequacy, overall consistency and actual implementation of the policy for the remuneration of Directors and key management personnel, submitting proposals to the Board of Directors, and (ii) submitting proposals or expressing opinions to the Board of Directors on the remuneration of executive Directors and of Directors who hold particular offices and the key management personnel, as well as on the setting of performance targets related to the variable portion of such remuneration. The Remuneration Committee is also required to periodically evaluate the adequacy, overall consistency and concrete application of the general policy adopted for the remuneration of the executive Directors, Directors who hold particular offices and key management personnel, monitoring the application of the decisions adopted by the Board of Directors and verifying, in particular, the actual achievement of performance targets.

The Remuneration Committee, in the absence of the concerned parties, examined, and subsequently approved, the remuneration policy for executive Directors and/or directors vested with special powers and key management personnel and submitted proposals to the Board of Directors on the remuneration of Directors and managers.

In 2017, the Remuneration Committee relied on the services of consultants.

For detailed information on the activities of the Remuneration Committee, on access by the Remuneration Committee to the corporate information and functions required to perform its duties and/or to the activity of consultants, please see the Remuneration Report drawn up pursuant to Art. 123-ter of TUF and approved by the Board of Directors on 6 March 2018.

9.0 REMUNERATION FOR DIRECTORS

General remuneration policies

The Board of Directors established a remuneration policy for Directors and key management personnel at the Board of Directors meeting on 2 March 2017. The policy was submitted to the Shareholders' Meeting for a consultative vote on 19 April 2017 and, for the year 2017, on 18 April 2018.

The policy for the remuneration of executive Directors or Directors who hold particular offices defines guidelines with reference to the topics and in line with the criteria laid out below:

a) the fixed and variable component are adequately balanced on the basis of the strategic objectives and the risk management policy of the Company, also taking into account the business segment in which it operates and the characteristics of the business activities actually carried out;

b) there are maximum limits set for the variable components;

c) the fixed component is sufficient to remunerate the services of the Director if the variable component is not disbursed due to failure to reach the performance targets laid out by the Board of Directors;

d) the performance targets - i.e., the financial results and any other specific objectives linked to the disbursement of the variable components - are pre-established, measurable and linked to the generation of value for Shareholders over a medium-long term time horizon;

e) the payment of a relevant portion of the variable remuneration component is deferred for an adequate period of time after the moment of accrual; the measurement of such portion and the deferment period duration are consistent with the characteristics of the business activities carried out and with the related risk profiles.

There are no contractual arrangements allowing the Company to request the return, all or in part, of the variable remuneration components paid or to withhold deferred sums (“claw-back”) and no compensation is provided for early termination of the office of director or for its non-renewal.

For detailed information please see the Remuneration Report drawn up pursuant to Art. 123-*ter* of TUF and approved by the Board of Directors on 6 March 2018, as well as the Information Document required under Article 84-bis of the Issuers’ Regulation, both published on the Company website www.italmobiliare.it, in the *Governance* section.

Share-based remuneration plans

There are no share-based remuneration plans. Please refer to the information provided in point 2, letter a).

Executive Directors' remuneration

A significant part of the remuneration of the Chief Executive Officer - Chief Operating Officer is variable and linked to financial performance and the achievement of specific targets set beforehand and determined in accordance with the Remuneration Policy adopted by the Company.

Remuneration for Key management personnel

A significant part of the remuneration of key management personnel is variable and linked to financial performance and the achievement of specific targets set beforehand and determined in accordance with the Remuneration Policy adopted by the Company.

Incentive mechanisms for the head of internal audit and the Manager in Charge

The incentive mechanisms for the head of Internal Audit and the Manager in Charge are consistent with the duties assigned to them.

Non-Executive Directors' remuneration

The remuneration of non-executive Directors is not linked to a significant extent to the financial performance of the Company.

Directors' compensation in the case of resignation, dismissal or termination of office following a public takeover bid

Please see the Remuneration Report drawn up pursuant to Art. 123-*ter* of TUF and approved by the Board of Directors on 6 March 2018 published on the Company website www.italmobiliare.it, in the Governance section.

10.0 RISK AND SUSTAINABILITY COMMITTEE

The Board of Directors has established a Control and Risk Committee named the Risk and Sustainability Committee (name taken on by Board of Directors resolution of 6 November 2017, previously the "Risk Committee").

The minutes of the meetings are duly recorded and the Chairman reports on them at the next possible meeting of the Board of Directors. Managers of the Company responsible for the matters on the agenda are regularly invited to the meetings of the Risk and Sustainability Committee to provide the appropriate in-depth information; first and foremost, the Manager in Charge and the Head of Internal Audit.

A total of 10 meetings were held in 2017, with an average duration of two and a half hours, always with the participation of all members. At the invitation of the Committee, the Board of Statutory Auditors attended nine meetings out of ten.

During fiscal year 2017, the Committee, among other things:

a) examined and approved the methodology used by the Company for the preparation of the non-financial report pursuant to Legislative Decree 254/2016 and the impairment tests;

b) acknowledged the correct implementation of the accounting policies and their consistency for the purposes of preparing the consolidated financial statements;

c) reviewed and approved the 2017 Audit Plan upon verification of its results;

d) analysed how risk management is handled at Group level, particularly with reference to Information Technology risks;

e) reviewed and approved the methodology used by the Company to adapt to the new regulations laid out in the General Data Protection Regulation;

f) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control and Risk Management System;

g) met with its counterpart committees within the main subsidiaries;

h) monitored that there were adequate safeguards for the management of sustainability issues linked to the company's business activities, also in relation to the first application of the NFI law.

i) for the benefit of the Board of Directors, expressed a preventive and binding opinion for the fulfilment of the duties assigned to it by the Code on internal control and risk management and in particular with respect to the appointment, removal and remuneration of and the resources provided to the Head of Internal Audit;

j) with adequate preliminary activities, supported the assessments and decisions of the Board of Directors relating to the management of risks deriving from harmful events the Board of Directors has become aware of.

The number of meetings for the year 2018 was not planned. In the current year, the Committee has so far met three times to discuss, among other things, (i) the impairment test methods for 2017, (ii) the accounting policies adopted for the preparation of the 2017 consolidated financial statements, (iii) the draft version of the 2017 consolidated non-financial statement, (iv) proposed amendments to the Internal Control and Risk Management System Guidelines, (v) the update of the organizational structure and attribution of powers and (vi) the Audit Plan for 2018. On 1 March, the Committee examined the part of this Report regarding the description of the Internal Control and Risk Management System, and approved of its content.

The Risk and Sustainability Committee consists of three Directors (Mirja Cartia d'Asero, Valentina Casella and Giorgio Bonomi), two of whom independent (Mirja Cartia d'Asero and Valentina Casella). It is chaired by Mirja Cartia d'Asero (Carolyn Dittmeier until the end of the previous 2016-2017 term of office, coinciding with the Shareholders' Meeting which approved the financial statements for the year ending on 31 December 2016, held on 19 April 2017). As required by the Code with reference to at least one member, the requirement of having adequate expertise in accounting and finance has been met.

Upon invitation by the Committee, the Manager in Charge and the Head of Internal Audit attended all the meetings. The Board of Statutory Auditors participated in full in four meetings, and two Statutory Auditors attended five meetings; one meeting took place without the attendance of any Statutory Auditors.

In compliance with the provisions of the Code, the Risk and Sustainability Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as (in light of the new attributions as per the Board of Directors resolution of 6 November 2017) those regarding the approval of annual and interim financial reports and the non-financial report.

Since the Risk and Sustainability Committee is a body that supports and assists the Board of Directors, its functions are advisory and proactive, and more specifically it:

a) evaluates, together with the Manager in Charge and after consulting with the external auditors and the Board of Statutory Auditors, the correct application of the accounting standards, as well as their consistency for the purpose of preparing the consolidated financial statements;

b) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks upon request;

c) reviews the periodic reports concerning the assessment of the Internal Control and Risk Management System, as well as the other reports of the Internal Audit Function that are particularly significant;

d) the independence, adequacy, efficiency and effectiveness of the Internal Audit Function;

e) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors;

f) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and interim financial report, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;

g) promptly exchanges information with the Board of Statutory Auditors relevant to the performance of their respective tasks;

h) monitors that there are adequate safeguards for the management of sustainability issues linked to the company's business activities, also for the purpose of formulating the non-financial statement, as well as on the dynamics of interaction with the stakeholders, which means all the intended recipients of the non-financial statement.

In performing its functions, the Committee had regular access to the corporate information and functions necessary to carry out its duties.

11.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System ("**SCIGR**") of Italmobiliare is an essential part of the corporate governance system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks which the Company and its subsidiaries are subject to.

The Company defined the Guidelines for the Internal Control and Risk Management System with the favourable opinion of the Risk and Sustainability Committee, in compliance with the recommendations of the Code (the "**Guidelines**"). The Guidelines, taking into account the peculiar structure of the Group, which includes companies - which may include entities subject to the supervision of national supervisory authorities - with internal control systems and structures in turn responsible for overseeing the SCIGR of their respective sub-groups (so-called "Group of groups"), seek to ensure consistency and harmonization between various existing control tools, establishing, therefore, the roles and functions involved in the identification, measurement, management and monitoring of the main risks of the Company and its subsidiaries. The SCIGR Guidelines have been transmitted to the subsidiaries so that they will take them into account in the establishment and maintenance of its Internal Control and Risk Management System notwithstanding the autonomy and independence of each company.

The SCIGR shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions.

It contributes to ensuring the preservation of the Company's assets, the efficiency and effectiveness of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, compliance with laws and regulations as well as with the By-laws and internal procedures.

The System, in line with the best national and international standards and paying constant attention to the provisions set forth in the Organizational, Management and Control Model, consists of the following three levels of control:

a) *1st level*: first line controls carried out by the heads of operating units that identify and assess the risks and define specific actions for their management;

b) *2nd level*: functions in charge of the definition of methodologies and tools for risk management and performance of risk monitoring activities;

c) *3rd level*: the Internal Audit Function, as well as any other parties that provide objective and independent assessments (so-called assurance) on the design and operation of the overall System.

The Guidelines for the Internal Control and Risk Management System provide for the involvement of the following corporate bodies and functions:

a) Board of Directors, with the following tasks:

- examining and approving the Strategic Plan, monitoring periodically the related implementation;
- defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board of Directors at the time of approval, amendment or revision of the Strategic Plan;
- evaluating the adequacy of the organizational, administrative and accounting structure of the Company as well as of its strategically significant subsidiaries in particular with regard to the Internal Control and Risk Management System;
- examining and approving the financial statements for the period;

b) Board of Directors, after obtaining the opinion of the Risk and Sustainability Committee:

- defining, in line with the Company's risk profile, the guidelines of the Internal Control and Risk Management System, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;
- assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
  - duties and responsibilities are allocated in a clear and appropriate manner;
  - control functions, including the Head of Internal Audit, the Manager in Charge and the supervisory body (the "**Supervisory Body**") have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.
- approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the Director in charge and the Board of Statutory Auditors;

c) Board of Directors, upon proposal of the Director in charge, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with adequate resources to carry out their responsibilities and defining their remuneration in line with corporate policies;

The Board of Directors, with the assistance of the Risk and Sustainability Committee, sets the criteria to ensure the compatibility of the Group risks with correct and proper management of the Company and assesses, at least on a half-yearly basis, the adequacy, effectiveness and functioning of the internal control system with respect to the characteristics of the Company.

With reference to the subsidiaries that have their own and autonomous internal control functions performing tasks similar to the duties assigned to the Control and Risk Committee by the Code, the Risk and Sustainability Committee of Italmobiliare reviews and assesses the reports received from the subsidiaries' relevant functions.

The Board of Directors monitors and examines the risks which the Company and the Group as a whole are subject to, and that, given the business activities, are essentially financial.

During the year, in defining strategic, industrial and financial plans, the Board of Directors defined the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all risks that may assume relevance in terms of the medium/long-term sustainability of the Company's activities.

At least annually, the Board of Directors approved the plan drafted by the Head of Internal Audit, having heard the opinion of the Board of Statutory Auditors and the Director in charge.

The Board of Directors also evaluated the adequacy of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as its effectiveness.

The Company has completed the implementation of a risk management model, inspired by existing best practices for the identification, evaluation and management of company risks, identifying three main areas: trading portfolio, investments and processes / organizational areas of the holding Company.

This process is operating in the main subsidiaries.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM ("Director in charge")

The Board of Directors identified the Chief Executive Officer – Chief Operating Officer as the Director in Charge at its meeting on 19 April 2017. This position is currently held by Mr Carlo Pesenti.

He has the task of:

a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them periodically to the review of the Board of Directors;

b) implementing the Guidelines, taking care of the planning, implementation and management of the Internal Control and Risk Management System and constantly monitoring its adequacy and effectiveness;

c) proposing to the Board of Directors, after obtaining the opinion of the Risk and Sustainability Committee and consulting with the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit, ensuring his or her operating independence and autonomy from each head of operating departments, verifying that this individual is provided with adequate resources for the fulfilment of the tasks assigned;

d) adjusting the Internal Control and Risk Management System to the dynamics of operating conditions and the legislative and regulatory framework;

e) promptly reporting to the Risk and Sustainability Committee (or to the Board of Directors) issues and problems identified during his/her activity or of which he/she became aware in order for the Committee (or the Board of Directors) to take the appropriate actions.

The Director in charge can also ask the Internal Audit Function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors.

In 2017, the Director in charge carried out the tasks described above by relying on the powers granted to him.

Under the powers granted to him, the Director in charge promoted the development of a Risk Management Model for the identification, assessment and management of the company risks based on various levels.

Moreover, the Director in charge is responsible for issuing, together with the Manager in charge, statements on the adequacy and effective implementation of administrative and accounting procedures, the compliance of documents with applicable international financial reporting standards, compliance of documents with book entries and accounting records, the suitability of documents to give a true and fair representation of the financial position and results of operations of the Company and of the Group, etc.

11.2 HEAD OF THE INTERNAL AUDIT FUNCTION

The Board of Directors, at its meeting held on 19 April 2017, after obtaining the favourable opinion of the Director in charge and consulting with the Board of Statutory Auditors, confirmed Ms Delia Strazzarino as Head of Internal Audit.

With the favourable opinion of the Director in charge and after consulting with the Board of Statutory Auditors, the Board of Directors defined the remuneration of the Head of Internal Audit in line with company policies and ensured that she is provided with adequate resources to fulfil her responsibilities.

The Head of Internal Audit is entrusted with the task of verifying the functioning and adequacy of the Internal Control and Risk Management System, providing an objective assessment of its suitability to corporate bodies and top management. She has direct access to all relevant information for the performance of her duties, is not responsible for any operational area and is under the Board of Directors hierarchically.

The Head of Internal Audit reports on the Company's risk management process as well as about the compliance with the management plans defined for risk mitigation, and expresses her assessment to the Board of Directors, Risk and

Sustainability Committee, the Director in charge and the Board of Statutory Auditors on the adequacy of the Internal Control and Risk Management System. The Head of Internal Audit annually illustrates to the Board of Directors within the audit plan the Internal Audit structure which has been considered appropriate, both in terms of headcount and professional skills, to fulfil the tasks entrusted to it. She prepares periodic reports containing adequate information on her activities, on the Company's risk management process as well as about the compliance with the management plans defined for risk mitigation, as well as an assessment on the adequacy of the Internal Control and Risk Management System and any reports on particularly significant events and transmits them to the Chairman of the Board of Statutory Auditors, the Risk and Sustainability Committee and the Board of Directors as well as the Director in charge.

She also verifies the reliability of the information systems, including the accounting reporting systems.

Within its "Assurance and Quality Improvement Program", the Internal Audit Function is subject, at least every five years, to a Quality Assurance Review by an independent external entity. The Function is planning on a new audit in 2018, after the first review had an outcome of generally compliant with relevant international standards.

The Board of Directors, after obtaining the opinion of the Risk and Sustainability Committee and having consulted with the Director in charge and the Board of Statutory Auditors, approved:

a) the Internal Audit Authorization at the meeting on 14 November 2013. This authorization, most recently modified by a resolution dated 2 March 2017, officially defines the mission, objectives, organizational context and responsibilities of the Function, in accordance with the definition of Internal Auditing, with the Code of Ethics and with the International Standards set by the International Professional Practices Framework of the Institute of Internal Auditors;

b) the 2018 Audit Plan prepared by the Head of Internal Audit at the meeting of 24 January 2018.

The Internal Audit Function performs its activities directly with reference to Italmobiliare Group, except for the subsidiaries that have an independent Internal Audit Function.

At Group level, the Head of Internal Audit coordinates / connects with its counterpart functions at the subsidiaries in order to promote uniformity of approach in verifying the functioning and adequacy of the SCIGR, taking into account the autonomy, independence and responsibility of those subsidiaries and their corporate bodies.

In 2017, the Head of Internal Audit carried out the tasks described above by relying on the powers granted to her.

11.3 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01

In order to make the control and Corporate Governance systems more effective and prevent corporate offenses and offenses against the Public Administration, during 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an «Organizational, management and control model» (the «Model»). This was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by Directors.

The General Part of the Model is available on the Company's website www.italmobiliare.it in the section Governance/Documentation.

By adopting the Model, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the Model itself. Even the subsidiaries with key importance adopted an organizational, management and control model pursuant to Legislative Decree 231/01.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree no. 231/01 to include further categories of offenses with respect to those included in its original version.

All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk assessments performed by consultants specialized in the matters taken into consideration on each occasion. In particular, in 2008, the Model was extended to offenses relating to the violation of the legislation on health and safety in the workplace (section later revised in 2010), on cross-border offenses and offenses for receiving stolen goods and money laundering. In March 2011 several amendments were approved to better design the information flow system among the various compliance corporate bodies of the Group both in the phase of adoption and amendment of the Models of the subsidiaries and in the phase of communicating any violation of the Model. In October 2012, the Model was extended to offenses related to organized crime, copyright and computer crime and, finally, during 2014, the Model was updated in order to incorporate the new provisions on the prevention and combating of corruption in public administration, corruption between individuals and the use of third-country nationals.

The task of continuously monitoring the effectiveness and enforcement of the Model, as well as proposing updates, is entrusted to the Supervisory Body, equipped with autonomy, professionalism and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or their legal aspects.

The Supervisory Body is, in compliance with the provisions of the Model, currently made up of two third-party advisors and the Company’s Head of Internal Audit.

As part of its duties, the Supervisory Body periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree no. 231/01, the Board of Statutory Auditors, the Risk and Sustainability Committee, the Manager in charge and the representatives of the Independent Auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

This body is autonomous and independent in the exercise of its functions, and its members have adequate qualifications in the field of risk control associated with the specific activities carried out by the Company and its legal aspects. It reports directly to the Board of Directors, which appoints it with a motivated resolution with respect to each member, chosen solely on the basis of qualifications, integrity, competence, independence and functional autonomy requirements.

The Supervisory Body is granted autonomous initiative and control powers within the Company in order to efficiently exercise its functions.

The Supervisory Body periodically, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Risk and Sustainability Committee and the Manager in charge. Such reports may contain proposals for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

a) any problems arising with regard to implementation of the procedures set forth in the Model, adopted in implementation of or in the light of the Model and the Code of Ethics of the Company;

b) the warning reports received from internal and external parties with regard to the Model;

c) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;

(iv)an overall assessment of the effectiveness of the Model with possible instructions for additions, corrections or changes.

Various company Functions must, to the extent of their competence, ensure the identification, measurement, management and supervision of the main risks related to Group operations. They shall ensure the proper performance of company transactions and, in particular, the correct representation of the information provided, as well as the efficient and effective implementation of administrative and accounting procedures in the areas under their responsibility.

Lastly, in this context, the Board of Statutory Auditors, as part of the tasks assigned to it under applicable laws, among other things, oversees the financial reporting process and effectiveness of the internal control, internal audit and risk management systems.

The sharing and integration of information generated in the various areas is ensured by a structured information flow. In this regard, the half-yearly report of the Manager in charge is, for example, significant as it reports, among other things, on the results of the performed activities, the problems that emerged, the identified action plans and their progress. The same Manager in charge, together with the Chief Executive Officer - Chief Operating Officer, also supplied the certificate referred to in paragraph 5 of Art. 154-bis of TUF.

The risk management and internal control system in relation to the financial reporting process consists of a set of corporate rules and procedures, adopted by the various operating structures, aimed at ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

Italmobiliare has defined its own operating Model to comply with the Law on savings (hereinafter, in short, "Operating Model"), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document "Internal Control over Financial Reporting - Guidance for Smaller Public Companies", also developed by CoSO.

In this operating Model, the Internal Control and Risk Management System is considered together with the internal control system in relation to the financial reporting process.

The Operating Model defined by Italmobiliare is based on the following main elements:

a) **Preliminary analysis**. This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for the actions related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant entities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;

b) **Operational planning**. Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;

c) **Analysis of controls at company level**. Single entities, within the area of action identified in the preliminary analysis, are responsible for i) assessing the effectiveness of the Internal Control and Risk Management System in relation to the governance principles used at entity level (Entity Level Controls), as well as for ii) the overall management of the information systems used in the main financial reporting processes and the related IT structure (Information Technology General Controls). This must be carried out in accordance with the deadlines established during the operational planning and on the basis of the guidelines, instructions and templates provided by the Manager in charge;

d) **Analysis of controls at process level**. The individual companies, within the area of action identified in the preliminary analysis, are responsible for the related activities: i) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, ii) performing tests to check the effective operation of controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Manager in charge;

e) **Assessment of the adequacy and effective operation of the administrative and accounting procedures and the related controls**: In order to guarantee compliance with the key requirements for financial reporting ("financial statement assertions"), the Manager in charge, on the basis of the results of the carried out activities and the obtained documentation, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, the Internal Control System for these areas.

The Internal Control and Risk Management System, with reference to the financial reporting process has also benefited from:

a) the ongoing development of an integrated Corporate Governance system (Organization notices, corporate processes and procedures);

b) a more detailed organization and planning in relation to the provisions of Law No. 262 of 28 December 2005, containing "Provisions for the protection of savings and the regulation of financial markets" and the subsequent corrective decrees (hereinafter, in short, the "Law on Savings"), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

The Board of Directors, based on the evaluations and information collected with the support of the preliminary activity performed by the Risk and Sustainability Committee, with the assistance of the Director in charge, the Head of Internal Audit and the Manager in charge, notes that issues have not been reported which would invalidate the overall adequacy and effectiveness of the Internal Control System and Risk Management System with respect to the structure of the Company and the Group and the characteristics of the business.

The Internal Control and Risk Management System is, in any case, subject to continuous improvement through monitoring and systematic design of improvement initiatives, consistent with international models of reference.

11.4 INDEPENDENT AUDITORS

The auditing of the company's accounts, as required by the current applicable laws, was entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors.

The task of auditing the separate financial statements of Italmobiliare, the consolidated financial statements of the Group and performing a review of the consolidated half-yearly financial statements of the Group for the years 2010-2018 was assigned to KPMG S.p.A. at the Shareholders' Meeting held on 29 April 2010. The engagement is set to expire on 31 December 2018. The Board of Directors supplemented the engagement assigned to KPMG S.p.A. following the entry into force of Legislative Decree 254/2016.

11.5 THE MANAGER IN CHARGE OF FINANCIAL REPORTING (DIRIGENTE PREPOSTO) AND OTHER COMPANY ROLES AND DUTIES

To replace Mr Guido Biancali, at its meeting held on 21 June 2017 the Board of Directors appointed Mr Mauro Torri as the Manager in charge of financial reporting pursuant to Art. 154-bis of TUF and Art. 29 of the By-laws as of 1 July 2017.

Pursuant to the By-laws, the Manager in charge must:

a) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;

b) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

The Manager in charge of Italmobiliare acknowledges and evaluates the reports on the activities performed by the internal control and risk management corporate bodies of the Group subsidiaries, that are considered relevant.

The Board of Directors, upon appointment, provided such Manager with autonomous financial resources to exercise the powers granted to him with the duty to report to the Board of Directors on the financial resources used every six months. Furthermore, the Board of Directors, upon proposal of the Remuneration Committee, defines, at the time of appointment and then annually, the remuneration of the Manager in charge. The Company, in connection with the provisions of the Law on Savings, adopted a specific Regulation which, in compliance with legal provisions, the By-laws and following current best practices, among other things:

a) defines the responsibilities of the Manager in charge of Italmobiliare and specifies his/her related powers;

b) identifies the responsibilities and method for the appointment, removal and termination of office of the Manager in charge, the length of service and the requirements in terms of professional skills and good reputation;

c) reports on the principles of conduct which the Company Manager in charge must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;

d) indicates the responsibilities, powers, and resources granted to the Manager in charge for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;

e) defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external control Bodies and with subsidiaries, regulating information flows;

f) illustrates the internal and external attestation process in reference to: a) the statements of the Manager in charge regarding the correspondence of the Company's acts and communications disclosed to the market with its documents and accounting books and entries; b) the statements of the Manager in charge and of the executives, relating to the financial statements, the condensed and interim financial statements and the consolidated financial statements.

Following the change in the organizational structure of the Company, the Manager in charge updated its Regulations to incorporate the new organisational provisions ("**Regulation of the Manager in charge**"). The Regulation of the Manager in charge, examined by the Board of Directors on 31 January 2017, is intended for all the entities, functions, corporate bodies of Italmobiliare, as well as all the companies that it directly or indirectly controls. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents. At the same time, the relevant Operating Model was updated at the same time as the Regulation of the Manager in charge in order to ensure its optimization and simplification.

The functions and duties of the Manager in charge provided for in the Regulation of the Manager in charge include the following:

a) ensuring there are adequate administrative and accounting procedures for the drafting of the financial statements, the condensed and interim financial statements and the consolidated financial statements, as well as any other financial reporting and non-financial reporting drafted pursuant to Legislative Decree 254/2016, by updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;

b) assessing, together with the Risk and Sustainability Committee and the external auditors, the correct application of accounting policies and their uniformity for the purposes of the consolidated financial statements;

c) handling the periodic reporting to top management and the Board of Directors on the activities undertaken;

d) managing the periodic review of the risks' assessment activities and updating the mapping of financial reporting risks;

e) taking part in the development of IT systems that have an impact on the Company's financial positions and results of operations.

11.6 COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination between the various parties involved in the Internal Control and Risk Management System (Board of Directors, Director in charge, Risk and Sustainability Committee, Head of Internal Audit, Manager in charge and the other corporate roles and functions with specific duties in the area of internal control and risk management, Board of Statutory Auditors, Supervisory Body) is assured through exchange of information and ad hoc meetings at the time the concerned control bodies and committees do actually meet.

12.0 INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 12 November 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted the Procedure for Transactions with Related Parties envisaged by the Consob Regulation of 12 March 2010 (the "**Procedure**"). The procedure was slightly amended in 2013 with i) the extension of the scope of correlation to the members of the Supervisory Body, with the express clarification that, if it is also made up of employees of the Company, these are not to be considered "Key management personnel" and ii) the introduction of a different small-amount thresholds between transactions with individuals and those with legal entities.

Finally, on 14 November 2014, confirming the commitment of the Company to adhere to best practice and guidelines of the Supervisory Authority, the Board of Directors, at the proposal of the Committee for transactions with related parties, deemed it appropriate to make further changes to the Procedure in force which took into account the inspiring guidelines of the regulation and underlying interests. The amendments concern, in particular: 1) the clarification of the definition of an ordinary transaction; 2) identification of some correlation indexes that allow for specific monitoring by the Company on transactions carried out with counterparts who are formally unrelated but that, in substance, could exert influence on the decision-making process; 3) the competence to identify transactions with counterparties having an index of correlation; 4) the provision of a quarterly report to be addressed to the members of the Committee with regard to transactions entered into with counterparties with an index of correlation; 5) the possibility for the Committee to identify - based on indices of significance relating to transactions entered into with counterparties having an index of correlation - the transactions to be submitted in advance to the investigation procedure provided for minor transactions.

Therefore, the Procedure, in compliance with Art. 2391-bis of the Italian Civil Code, sets out the measures adopted by the Company to ensure that transactions undertaken with related parties and counterparties having an *index of correlation*, whether directly or through subsidiaries, are carried out transparently and in compliance with criteria of substantial and procedural correctness, so as to facilitate the identification and allow for the adequate management of situations in which a Director has an interest on his or her own behalf or on behalf of third parties.

In particular, with the exception of some situations, the Procedure provides for the authorization process and the disclosure requirements for transactions between i) a party related to Italmobiliare, on the one hand, and ii) Italmobiliare, on the other, or one of its subsidiaries when, before completing the transaction, the prior examination or authorization by a corporate body of Italmobiliare or by an officer of Italmobiliare with relevant delegated powers is required. The Procedure also applies to transactions undertaken by Italmobiliare with a subsidiary or associated company, as well as between its subsidiaries, when the transaction involves significant interests of a related party of Italmobiliare.

The Procedure distinguishes «significant» transactions from «minor» transactions on the basis of specific criteria predetermined by Consob. This distinction is also relevant for determining applicable rules on transparency, which are simplified for minor transactions and more stringent for significant transactions, although both envisage the prior opinion of the Committee for Transactions with Related Parties.

The Committee has:

a) the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;

b) the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through the receipt of a complete and prompt information flow, and the right to ask for information and to submit its remarks to the delegated bodies and to those in charge of the negotiations or the preliminary investigation;

c) the possibility to request the prior examination of the transactions that the Company will enter into with counterparties having an index of correlation, taking into account some indices of significance;

d) the right to seek the assistance, at the Company's expense, of independent experts of its choice.

In the case of minor transactions, the Procedure envisages the right, in any case, to execute the transaction even if the Committee for Transactions with Related Parties expresses a negative opinion, provided that this is disclosed to the market through a specific document setting out the reasons for such divergence.

Moreover, the Company By-laws provide that *(i)* significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting on condition that the majority of non-related shareholders do not cast a vote contrary to performance of the transaction and the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so-called whitewash); and that *(ii)* the Company may apply the simplified rules in cases of urgency unless the transaction is under the prerogatives of the Shareholders' Meeting and requires its authorization.

Finally, exercising the powers contained in Consob Regulation 11971, the Company identified the following main grounds for exclusion:

a) transactions for smaller amounts (transactions that do not exceed the amount of euro 500,000 if carried out with related legal entities and transactions that do not exceed an amount of euro 300,000 if carried out with related private individuals);

b) ordinary transactions (which fall within the ordinary course of business operations and related financial activities of the Company and of the Group in general) if they are concluded on terms equivalent to market or standard conditions;

c) transactions with or between subsidiaries or with associated companies, unless there are significant interests of other parties related to the Company in the subsidiaries or associated taking part in the transaction;

d) urgent transactions.

The Procedure is available on the Company's website www.italmobiliare.it.

Without prejudice to the provisions contained in the above Procedure, transactions with related parties must be carried out transparently and in accordance with criteria of substantial and formal correctness. Therefore, the Directors who have an interest, even potential or indirect, in the transaction are required to:

a) promptly and fully inform the Board of Directors about the existence of the interest and the circumstances regarding it;

b) leave the board meeting room during the vote.

The Board of Directors, however, under specific circumstances, may allow the Director concerned to participate in the discussion and/or vote.

13.0 APPOINTMENT OF THE STATUTORY AUDITORS

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring the appointment of one Acting Auditor and one Substitute Auditor for minority shareholders, as well as compliance with current legislation regulating gender balance.

Lists must be filed at the Company head offices or by sending notice to the certified electronic mail address indicated in the notice of call, at least 25 days before the date set for the Shareholders' Meeting in first or single call; this, together with the procedures and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may only be presented by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by Consob pursuant to the regulations in force concerning the appointment of the Board of Directors.

No shareholder may file or participate in the filing of more than one list, directly or through a nominee or trust company, or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, not even through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Acting Auditor and at least one third (rounded upwards) of the candidates for the office of Substitute Auditor. At the time of their filing, lists must include:

a) statements whereby individual candidates:

- accept their candidature;
- state, under his/her own responsibility:
- the possession of the professional requirements envisaged by the By-laws;
- the non-existence of causes of ineligibility or incompatibility;
- fulfilment of the good reputation requirements established by the law;
- the possession of any independence requirements that may be required by the law and the Code;

b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed list that does not comply with the above provisions will be considered not filed.

In the event that, by the deadline of 25 days preceding the date of the Shareholders' Meeting, a single list has been filed, or only lists presented by shareholders who are connected to each other pursuant to current regulations, further lists can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available the lists of candidates which have been submitted by shareholders and the accompanying documentation at its head offices, at the Italian stock exchange and on its website.

In the event of filing of more than one list:

- the list that obtains the highest number of votes at the Shareholders' Meeting elects two Acting Auditors and two Substitute Auditors, in the order in which they are listed in the sections of the list;
- the minority shareholders' list that obtains the highest number of votes among the lists presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third Acting Auditor and the third Substitute Auditor, in the order in which they are listed in the sections of the list;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is relevant for the purposes of excluding the minority shareholders' elected Auditor only if this vote was crucial for the election of said auditor.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several lists or voting the only list presented, the composition of the Board of Statutory Auditors, as to its acting members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of acting auditor on the list that has obtained the highest number of votes or from within the only list presented starting from the last candidate from that list.

Should no lists be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a simple majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured pursuant to current legislation in force. The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the list presented and voted by the minority shareholders, or with the first name in the single list presented or with the person appointed as such by the Shareholders' Meeting should no lists be presented.

Pursuant to the By-laws of Italmobiliare, those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit to the number of offices held as established by the regulation in force, cannot be elected as Statutory Auditors, and if elected cease to serve.

Should an elected Statutory Auditor during his/her term of office no longer meet the requirements envisaged by the law or the By-laws, his/her office terminates.

When it is necessary to replace an Acting Auditor, the Substitute Auditor belonging to the same list as the removed Statutory Auditor takes over.

In the absence thereof, in accordance with the original order of presentation, the candidate from the same list as the outgoing Auditor takes over, without taking the initial section into account.

Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the Statutory Auditor of the minority shareholders.

The Statutory Auditors appointed in this manner hold office until the following Shareholders' Meeting.
Should it be necessary to supplement the Board of Statutory Auditors:

- to replace a Statutory Auditor elected from the majority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority Shareholders' list;

- to replace a Statutory Auditor elected from the minority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original minority shareholders' list;
- for the simultaneous replacement of Auditors elected in the majority and the minority shareholders' lists, the appointment occurs with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the list which each Statutory Auditor to be replaced was part of, with a number of Statutory Auditors equal to the number of ceased Statutory Auditors belonging to the same list.

If it is not possible to proceed as above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle whereby one Acting Auditor and one Substitute Auditor must be appointed by minority shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the Statutory auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

The statutory auditors should accept office when they believe they can dedicate the necessary time to the diligent execution of their tasks.

According to the Code, the Statutory auditors are chosen from among people who may be qualified as independent according to the criteria that the same states with regard to Directors.

14.0 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office, consisting of Francesco Di Carlo, Angelo Casò and Luciana Ravicini, which will remain in office until the approval of the 2019 financial statements, was appointed by the Shareholders' Meeting on 19 April 2017. Two lists were submitted for the appointment of the Board of Statutory Auditors, by Compagnia Fiduciaria Nazionale S.p.A., which included the following names: Angelo Casò, Luciana Ravicini, Silvio Necchi (candidates for the position of Acting Auditor) and Alberto Giussani, Giovanni Rita and Gianluca Panizza (candidates for the position of Alternate Auditor) – and, jointly, Amber Capital UK LLP, Fidelity Funds International and RWC Asset Management LLP - which included the following names: Francesco di Carlo (candidate for the position of Acting Auditor) and Paolo Ludovici (candidate for the position of Alternate Auditor). These lists obtained 14,953,378 and 3,765,399 votes, respectively.

Therefore, according to current regulations and Company By-laws, the Chairmanship was granted to Mr Francesco Di Carlo, from the list presented by the above-mentioned minority shareholders while the remaining two Acting Auditors were elected from the list presented by the relative majority shareholder.

The main personal and professional characteristics of the members of the Board of Statutory Auditors are specified in the documentation filed at the time of appointment in the "Governance/General Meeting" section of the Company website www.italmobiliare.it.

All the members are independent pursuant to the TUF and meet, also, the independence requirements provided by the Code for Directors. According to the rules on gender balance, a third of the members is reserved for the less represented gender.

The composition of the Board of Statutory Auditors is shown in Table 3 below.

During 2017, the Board of Statutory Auditors held a total of twelve meetings, attended by all its members, and also attended all the meetings of the Company's board Committees.

The independent auditors KPMG, the Manager in charge, the Head of Internal Audit and other department managers of the Company were invited to participate in the meetings of the Board of Statutory Auditors to provide the necessary information on issues from time to time on the agenda.

The average duration of the meetings of the Board of Statutory Auditors held during the year was about 2 hours.

Diversity policies

The Company has not approved specific diversity policies. However, with the awareness that diversity and inclusion represent the fundamental elements of the corporate culture, the composition of the Board of Statutory Auditors has evolved over time in accordance with best practices so as to guarantee comprehensive representation in terms of experience, age and gender. On the basis of this broad wealth of skills and ideas, the Board of Statutory Auditors may rely on the contribution of authoritative points of view capable of examining the various matters under discussion from various perspectives.

The Board of Statutory Auditors will monitor compliance with the law and the By-laws, and has management control functions, more specifically, ensuring: *i)* compliance with the principles of good administration; *ii)* adequacy of the Company's organizational structure, the Internal Control and Risk Management System and the administrative and accounting system; *iii)* actual implementation of the Code; *iv)* compliance with the procedure adopted by the Company in respect of transactions with related parties; *v)* adequacy of the instructions given by the Company to its subsidiaries in respect of the obligations of public disclosure of inside information.

The Board of Statutory Auditors is not entrusted with the legally-required audit of the company's accounts, which, as required by law, is entrusted to an independent auditor chosen among those enrolled in the appropriate register, while it has the task to submit a reasoned proposal to the Shareholders' Meeting regarding the appointment of such auditors.

The Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, as established by Legislative Decree no. 39 of 27 January 2010, is also required to perform additional supervision tasks, as assigned to it by such provisions of law, on the financial reporting process, on the effectiveness of the internal control, internal audit and risk management systems; on the audit of the separate financial statements and consolidated financial statements, on the independence of the audit firm.

In the course of 2017, the Board of Statutory Auditors verified the independence of its members as soon as possible after their appointment, specifying the assessment criteria actually applied, and transmitted the result of those verifications to the Board of Directors. The Board of Statutory Auditors also verified the continued fulfilment of independence requirements by its members and transmitted the result of those verifications to the Board of Directors. In conducting the assessments described above, the Board of Statutory Auditors applied all criteria established by the Code with reference to the independence of Directors. The result of the verifications conducted was published via a disclosure to the market.

The Chairman of the Board of Directors ensured that the Statutory Auditors could participate, subsequent to their appointment and throughout their term of office, in the most appropriate forms, in initiatives to provide them with adequate knowledge of the Company's business segment, company trends and their evolution, the principles of proper risk management and the reference regulatory and self-regulatory framework. In particular, during 2017, the Statutory Auditors were able to attend induction meetings organised by the Company, and to have periodic meetings with the Chief Executive Officer to exchange information.

The remuneration of Statutory Auditors is commensurate with the commitment required, the relevance of their role and the size and sector-related characteristics of the business.

The Company requires a Statutory Auditor who, on his or her own behalf or on behalf of third parties, has an interest in a specific Company transaction, to promptly and exhaustively inform the other Statutory Auditors and the Chairman of the Board of Directors about the nature, terms, origin and extent of such interest.

In performing its activities, the Board of Statutory Auditors coordinated with Internal Audit and with the Risk and Sustainability Committee. This coordination is guaranteed by the attendance of the Board of Statutory Auditors at all meetings of the Risk and Sustainability Committee, further ongoing exchanges of information between the chairmen of the two corporate bodies as necessary, regarding issues of interest to both, and frequent meetings with the Head of Internal Audit at meetings of the Board of Statutory Auditors and those of the Risk and Sustainability Committee.

15.0 SHAREHOLDER RELATIONS

With regard to market relations, the Chairman and the Chief Executive Officer - Chief Operating Officer, within their respective responsibilities, provide the guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, the Investor Relations function, whose responsibility was entrusted to Mr Enrico Benaglio, was established as part of the Investment Management Department.

Moreover, in order to provide timely and easy access to information concerning the Company and, therefore, allow the Shareholders to consciously exercise their rights, a special section of the Company's website was set up, which is easily identifiable and accessible, where information regarding the Shareholders' Meetings is given, with particular reference to the arrangements for attendance and exercise of voting rights at the Shareholders' Meetings, the documentation relating to items on the agenda, including Reports on the items on the agenda and the list of candidates for the positions of Director and Statutory Auditor with an indication of their personal and professional characteristics.

16.0 SHAREHOLDERS' MEETINGS

The Company endeavours to develop a dialogue with shareholders based on an understanding of each other's roles, and with the market, in accordance with the laws and rules governing the dissemination of inside information. The Company's behaviour and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

The Shareholders' Meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of Shareholders and to facilitate the exercise of voting rights.

To this end, the Board of Directors reports to the Shareholders' Meeting on the activities it has carried out and planned and endeavours to ensure that shareholders have adequate information so that they can take the decisions pertaining to the Shareholders' Meeting with knowledge of the facts.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on single call, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meetings proceedings of each call.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

No Shareholders' Meeting regulation has been set forth since the broad powers that the law and jurisprudence recognize to the Chairman, as well as the provision of the By-laws (Art. 13) that expressly gives the Chairman the power to direct the discussion and establish order and method of the vote, provided it takes place by recorded vote, were considered adequate tools for the orderly conduct of meetings of Shareholders.

17.0 FURTHER CORPORATE GOVERNANCE PROCEDURES

Further corporate governance procedures adopted by the Company are described below.

17.1 CODE OF ETHICS

The Code, approved for the first time in 1993 and further modified, envisages that all employees and those who deal with the Group or act to achieve its objectives shall base their dealings and conduct on principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.

To this end, at its meeting of 9 February 2001, the Italmobiliare Board of Directors approved the current version of the Code of Ethics which defines the rules for loyalty and fidelity, impartiality, protection of privacy and confidentiality of information, protection of people, the environment and company assets. The Code establishes the provisions which are the basis of the control processes and the accounting/operational information, and introduces rules to govern dealings with customers, suppliers, public institutions, political organizations and trade unions, and the media.

Every person registered in the insider register is obliged to maintain confidential all inside information they handle or which they have access to until the same has been disclosed to the public in accordance with the principle of equal access to information.

17.2 CODE OF CONDUCT

The Company has adopted its own "Code of Conduct", originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called Market Abuse Directive) introduced by the Law on Savings of 2005. On 29 November last, the Board of Directors of the Company, as a result of the entry into effect of EU Regulation no. 596/2014 ("Market Abuse Regulation") and related implementing provisions, approved a new procedure relating to the fulfilment of internal dealing obligations.

The Code of Conduct, adopted by the Company in application of the rules in effect, governs the obligations and communication procedures, and behaviour, regarding the Transactions relating to financial instruments issued by the Company, carried out by parties who exercise the administration, control or management functions, or anyone who holds shares equal to or higher than 10% (ten per cent) of the share capital of the Company, represented by shares with voting rights, or any other party who controls the Company (Persons discharging managerial responsibilities "PDMRs") and Persons Closely Associated.

The aim of the Code of Conduct is to:

- identify the PDMRs of the Company who have to make the communications described under article 19 of Regulation (EU) no. 596 of the European Parliament and of the Council of 16 April 2014;
- define the communication methods - by the PDMRs to the Company - of information relating to transactions on shares, negotiable instruments, derivative instruments, or other related financial instruments, carried out by them or Persons Closely Associated,
- and define the management procedures, by the Company, for the communications received and fulfilment of their distribution obligations, identifying the party authorized to receive, manage, and distribute these communications to the market.

The provisions of the Code of Conduct form an integral part of the corporate rules, and therefore all the PDMRs must duly comply with them.

The Code of Conduct is also an essential component of the Internal Control and Risk Management System of the Company, and the overall system in place to prevent offences pursuant to Legislative Decree no. 231/2001, and more specifically, the Organizational model adopted by Italmobiliare for that purpose.

For the purpose of the Code of Conduct, in accordance with Article 19, paragraph 1 and Article 3, paragraph 1, point

25) of Regulation (EU) no. 596/2014 relating to market abuse, and Article 114, paragraph 7 of Legislative Decree no. 58/1998, the following can be classified as PDMRs:

a) members of the Board of Directors and the Board of Statutory Auditors of Italmobiliare;
b) all other managers of the Company who have regular access to inside information relating directly or indirectly to the Company, and have the power to make managerial decisions affecting the future developments and business prospects of the Company;
c) anyone who holds shares equal to or greater than 10% (ten per cent) of the share capital, represented by shares with voting rights, and any other party who controls the Company.

The Chief Executive Officer - Chief Operating Officer shall identify the other Company managers with “regular” access to the inside information and who have decision-making power.

The identification shall be carried out on the basis of the following criteria:

a) assessment of the access to inside information by the “manager” in relation to the duties assigned;
b) organizational structure and authorization and powers of attorney system adopted by the Company;
c) powers of the manager to make management decisions that could affect the transactions and/or the development and future prospects of Italmobiliare.

For the purpose of the Code of Conduct, in accordance with Article 19, paragraph 1 and Article 3, paragraph 1, point 26) of Regulation no. 596/2014, Persons Closely Associated with the PDMRs are:

a) a spouse (not legally separated) or a partner considered to be equivalent to a spouse in accordance with national law;
b) a dependent child, in accordance with national law;
c) a relative who has shared the same household for at least one year on the date of the transaction concerned; or
d) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in points (i), (ii), or (iii), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The PDMRs will sign a statement showing their awareness and acceptance, with the duty to notify the Persons Closely Associated in writing, that can be traced to them, of their communication obligations in accordance with prevailing law and this Procedure, and to keep a copy of the notification, and ensure that said persons do everything necessary to duly comply with said obligations.

This statement, duly filled in, also with the information on the Persons Closely Associated, must be promptly sent to the Company.

The Party in Charge of receipt, management and distribution of the communications to the market will prepare and keep the list of names of the PDMRs and the Persons Closely Associated updated.

In particular, the persons concerned must inform the Company, so that the latter may inform the market, about the performance of transactions on the latter’s shares of an aggregate amount exceeding the euro 5,000 threshold by the end of the year.

Moreover, the ‘Code of Conduct’ envisages that the PDMRs must abstain from performing transactions that are subject to communication to the Company:

- on listed financial instruments issued by Italmobiliare: during the 30 calendar days preceding the meeting of Italmobiliare’s Board of Directors called to approve the separate annual and interim financial statements, including the day on which the meeting is held.

18.0 CHANGES SINCE THE END OF THE APPLICABLE FINANCIAL YEAR

Without prejudice to what is specified in paragraphs 3.0 and 7.0 regarding the assignment to the Remuneration Committee of the functions attributed by the Code to the Appointment Committee, there were no changes made to the Corporate Governance structure after the 2017 year-end that had a significant effect on anything contained in this Report.

19.0 CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations submitted by the Chairman of the Corporate Governance Committee in the letter dated 13 December 2017 were brought to the attention of the Board of Directors at its meeting on 14 February 2018 and were considered during the self-assessment.

In the subsequent meeting, on 6 March 2018, the Board decided to attribute responsibilities "for Nominations" to the already existing Remuneration Committee, in accordance with the provisions of the Code of Conduct.

Finally, in agreement with the principles of the letter from the Chairman of the Corporate Governance Committee and in response to the recommendations it contained, the Company gave a mandate to the Remuneration and Nomination Committee to identify and propose possible evolutions of the Company's governance to the Board.

Milan, 6 March 2018

For the Board of Directors
The Chief Executive Officer
(Carlo Pesenti)

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES
Term of Office 2014-2016

						Board of Directors			
Position	**Members**	**Year of birth**	**Date of first appointment ***	**In office since**	**In office until**	**List ** **	**Exec.**	**Non-exec.**	**Indep. Code**
Chairman	Giampiero Pesenti	1931	05/12/1967	27.05.2014	19.04.2017	M	•		
Deputy Chairman	Italo Lucchini	1943	17/06/1999	27.05.2014	19.04.2017	M		•	
Director	Anna Maria Artoni	1967	27/05/2014	27.05.2014	19.04.2017	M		•	•
Director	Carolyn Dittmeier	1956	27/05/2014	27.05.2014	19.04.2017	M		•	•
Director	Gianemilio Osculati	1947	25/05/2011	27.05.2014	19.04.2017			•	•
Director	Paolo Sfameni	1965	25/11/2011	27.05.2014	19.04.2017			•	•
-------------------------------DIRECTORS LEAVING OFFICE DURING THE YEAR--------------------------------									
-	-	-	-	-	-	-	-	-	-
No. of meetings held during the year: 3						Control and Risk Committee: 3			
Quorum required to submit lists by the minority parties for election of one or more members (pursuant to Art. 147-ter of the TUF): 1%									

			Control and Risk Committee		Remun. Committee		Committee for Transactions with Related Parties		Executive Committee	
Indep. TUF	**No. other offices** ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
	1	0/3							0/0	C
	2	3/3			3/3	M			0/0	M
•	1	3/3					0/0			
•	2	3/3	3/3	C			0/0			
	1									
	4		3/3	M	3/3	M	0/0			
-	-			-	-	-	-	-	-	-
Remun. Committee: 3	Committee for Transactions with Related Parties: 0				Executive Committee: 0					

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES
Term of Office 2017-2019

				Board of Directors					
Position	**Members**	**Year of birth**	**Date of first appointment ***	**In office since**	**In office until**	**List ****	**Exec.**	**Non-exec.**	**In-dep. Code**
Honorary Chairman	Giampiero Pesenti	1931	05.12.1967	19.04.2017				•	
Chairman	Zanetti Laura	1970	14.11.2013	19.04.2017	Fin.Stat. 2019	M		•	
Chief Executive Officer ○ ◊	Pesenti Carlo	1963	17.06.1999	19.04.2017	Fin.Stat. 2019	M	•		
Director	Bertazzoni Vittorio	1976	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Bonomi Giorgio	1955	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•	
Director	Cartia d'Asero Mirja	1969	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Casella Valentina	1979	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Fornero Elsa Maria Olga	1948	27.07.2017	27.07.2017	Fin.Stat. 2017			•	•
Director	Mazzoleni Sebastiano	1968	25.05.2011	19.04.2017	Fin.Stat. 2019	M		•	
Director	Minoli Luca	1961	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•	
Director	Palmieri Chiara	1970	19.04.2017	19.04.2017	Fin.Stat. 2019	M		•	•
Director	Rebecchini Clemente	1964	25.05.2011	19.04.2017	Fin.Stat. 2019	M		•	
Director	Salerno Antonio	1974	19.04.2017	19.04.2017	Fin.Stat. 2019	m		•	•
Director and Deputy Chairman	Strazzera Livio	1961	03.05.2002	19.04.2017	Fin.Stat. 2019	M		•	
Director	Tononi Massimo	1964	29.05.2014	19.04.2017	Fin.Stat. 2019	M		•	•
-------------------------------DIRECTORS LEAVING OFFICE DURING THE YEAR-------------------------------									
Director	Pomodoro Livia	1940	19.04.2017	19.04.2017	19.04.2017 27.07.2017				
No. of meetings held during the year: 8						Risk Committee: 7			
Quorum required to submit lists by the minority parties for election of one or more members (pursuant to Art. 147-ter of the TUF): 1%									

NOTES
○ This symbol means the director in charge of the internal control and risk management system.
◊ This symbol means the main person responsible for managing the issuer (Chief Executive Officer or CEO).
* Date of first appointment of each director means the date on which the director was appointed for the first time (overall) to the BoD of the issuer.
** This column indicates the slate from which each director was chosen (“M”: majority slate; “m”: minority slate; "BoD": slate presented by the BoD).
***This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, in finance, banking, insurance or other sizeable companies. The appointments are set out in full in the Corporate Governance Report.
(*) This column shows the attendance of the directors respectively at the meeting of the Board of Directors and the Committees, respectively (the number of meetings attended is indicated with respect to the total number of meetings he/she could have attended; such as 6/8; 8/8, etc.).
(**) This column shows the status of the Director within the Committee: “C”: chairman, “M”: member.

			Risk and Sust. Committee		Remunera-tion Committee		Committee for Transactions with Related Parties		Executive Committee	
In-dep. TUF	**No. other offices** ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
	-									
•	1	11/11							1/1	C
	1	11/11							1/1	M
•	1	6/8			2/3	M				
	1	9/11	10/10	M						
•	2	8/8	7/7	C			3/3	M		
•	2	8/8	7/7	M			3/3	C		
•	1	5/8					1/3	M		
	0	11/11								
	1	11/11							1/1	M
•	1	8/8			3/3	M				
•	0	9/11								
•	0	8/8								
•	1	11/11							1/1	M
•	2	11/11			3/3	C			1/1	M
	2									M
Remun. Committee: 3		Committee for Transactions with Related Parties: 3			Executive Committee: 1					

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS
Term of Office 2017-2019

BOARD OF STATUTORY AUDITORS									
Position	**Members**	**Year of birth**	**Date of first appointment** *	**In office since**	**In office until**	**List** **	**Indep. Code**	**Attendance at Board meetings** ***	**No. of other offices** ****
Chairman	Di Carlo Francesco	1969	25.05.2011	19.04.2017	Bil. 2019	m	•	12	3
Acting auditor	Casò Angelo	1940	25.05.2011	19.04.2017	Bil. 2019	M	•	11	3
Acting auditor	Ravicini Luciana	1959	27.05.2014	19.04.2017	Bil. 2019	M	•	12	-
Alternate auditor	Giussani Alberto	1946	19.04.2017	19.04.2017	Bil. 2019	M	•		1
Alternate auditor	Rita Giovanni	1973	19.04.2017	19.04.2017	Bil. 2019	M	•		-
Alternate auditor	Ludovici Paolo	1965	25.05.2011	19.04.2017	Bil. 2019	m	•		-
----------------STATUTORY AUDITORS LEAVING OFFICE DURING THE YEAR----------------									
	Surname Name								
Number of meetings held during the year: 13									
Quorum required to submit lists by the minority parties for election of one or more members (pursuant to Art. 148 of the TUF): 1%									

NOTES
* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (overall) to the Board of Statutory Auditors of the issuer.
** This column indicates the slate from which each statutory auditor was chosen ("M": majority slate; "m": minority slate).
*** This column shows the attendance of the auditors at the Board of Statutory Auditors meetings (the number of meetings attended is indicated with respect to the total number of meetings he/she could have attended, e.g. 6/8, 8/8, etc).
**** This column indicates the number of offices as director or statutory auditor held by the person concerned, considered significant pursuant to Article 148 bis of the TUF and the relative implementing provisions contained in the Consob Issuers' Regulation. The complete list of offices held is published by Consob on its website, pursuant to article 144-quinquiesdecies of the Consob Issuer Regulations

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Report of the Board of Directors on the Remuneration Report

Dear Shareholders,

The ordinary Shareholders' Meeting of 18 April 2018 was convened to pass resolutions on the section of the Remuneration Report concerning the Company's policy on the remuneration of the administration bodies, the chief operating officers and the key management personnel and the procedures used for the adoption and implementation of that policy pursuant to Article 123-ter, paragraphs three and six of the TUF ("**Policy**").

The Shareholders' Meeting will need to pass a non-binding resolution in favour of or against it (non-binding vote).

* * *

The current Policy in force at the Company envisages that the parties concerned will have the following remuneration components:

a) an annual fixed component;

b) an annual variable component linked to the achievement of specific company objectives (Management By Objectives);

c) a medium/long-term variable component (Long-Term Incentive), also linked to "Italmobiliare" share performance and the achievement of specific company objectives.

With respect to the annual variable component, the Company has an annual variable incentive plan in place which calls for the attribution to beneficiaries of an incentive in cash in proportion with the responsibilities attributed to each beneficiary, which may be disbursed subject to the achievement of pre-established performance objectives ("**MBO**"). On 6 March 2018, the Board of Directors, at the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, examined the results obtained and viewed the performance levels reached by the beneficiaries of the 2017 MBO (insofar as was necessary for the determination of their score and the relative economic valuation) and also established the MBO objectives for the year 2018.

With respect to the medium/long-term variable component, on 19 April 2017 the Shareholders' Meeting approved the adoption of a long-term variable incentive plan linked to the achievement of specific company objectives on a three-year basis and the "Italmobiliare" share performance ("**LTI Plan**"), making the Board of Directors responsible for identifying the beneficiaries, identifying the performance objectives and verifying whether they were reached. On 27 July 2017, the Board of Directors approved the LTI Plan Regulation, with the favourable vote of the Chairman of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors pursuant to Art. 2389 of the Italian Civil Code, identifying the beneficiaries of the LTI Plan, the relative performance objectives and the verification methods.

Such initiatives did not substantially change the Policy in force.

For all additional details, please refer to the Remuneration Report prepared by the Board of Directors pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers' Regulation, which shall be made available to the public with the methods and within the terms laid out by law.

* * *

Dear Shareholders,

In light of what is highlighted above, we invite you to pass the following resolution:

"The Italmobiliare S.p.A. Shareholders' Meeting of 18 April 2018, acknowledging the Remuneration Report and the relative explanatory report prepared by the directors,

resolves

to express a favourable opinion on the first section of the Remuneration Report illustrated above, with respect to the policy on the remuneration of Directors and key management personnel and on the procedures used for the adoption and implementation of such Policy".

* * *

Milan, 6 March 2018

For the Board of Directors

The Chief Executive Officer

Carlo Pesenti

Italmobiliare S.p.A.
Remuneration Report

in accordance with article 123-ter of Legislative Decree
24 February 1998, no. 58 and 84-quater, of the Issuers' Regulation

Introduction

This Report was approved on 6 March 2018 by the Italmobiliare Board of Directors, upon proposal by the Remuneration Committee.

The Report is composed of two sections:

1. **Section I** describes the Italmobiliare Remuneration Policy and, in particular, indicates the objectives pursued, guiding principles, any amendments with respect to the previous year, bodies involved, and procedures used to adopt and implement the Policy;
2. **Section II** illustrates the remuneration paid in the year ended 31 December 2017 by the Company, Group companies, and its associates, to Directors, Key Management Personnel, and members of the Board of Statutory Auditors.

The text of the Report is available to the public at the registered office, on the Company's website, and the website of Borsa Italiana S.p.A., no later than the twenty-first day prior to the date of the Shareholders' Meeting called to approve the 2017 financial statements and requested to vote on a non-binding resolution on Section I of this Report, in accordance with governing regulations pursuant to Art. 123-ter, paragraph 6 of the Consolidated Finance Act.

Definitions

Directors or Board Members	Members of the Board of Directors
Director in charge of the Internal Control and Risk Management System	Members of the Board of Directors The Executive Director in charge of the Internal Control and Risk Management System in office at a given time within Italmobiliare
Shareholders' Meeting	The ordinary Shareholders' Meeting
Shareholders	Italmobiliare shareholders
Corporate Governance Code	The Corporate Governance Code for Listed Companies, approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as amended and integrated
Board of Statutory Auditors	The Board of Statutory Auditors of Italmobiliare made up of pro tempore statutory auditors
Committees	The committees established by Italmobiliare at the date of the Report pursuant to the Corporate Governance Code and the Regulation adopted by Consob with Resolution 17221 and, in particular: the Executive Committee, Remuneration Committee, Committee for Transactions with Related Parties and the Risks and Sustainability Committee
Executive Committee	Italmobiliare Executive Committee
Remuneration Committee	Italmobiliare Remuneration Committee, established in accordance with Article 4 of the Corporate Governance Code
Committee for Transactions with Related Parties	Italmobiliare Committee for Transactions with Related Parties
Risks and Sustainability Committee	Italmobiliare Risks and Sustainability Committee (name changed from previous "Risks Committee", with the Board of Directors' resolution of 6 November 2017, following the assignment of advisory and monitoring functions for the Non-Financial and Diversity Information Reporting - pursuant to Legislative Decree 254/2016).
CEO / General Manager	CEO and General Manager of Italmobiliare, in office at a given time
Board of Directors	Italmobiliare Board of Directors
Key Management Personnel or KMP	Managers who have the power and responsibility, directly or indirectly, for planning, management, and control of the Company's activities or individual business areas
Officers directly reporting to the CEO / General Manager	Italmobiliare personnel reporting hierarchically or functionally to the CEO/General Manager
Administrative Manager/Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto)	Administrative Manager/Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto), in office at a given time within Italmobiliare
Equity Interests Manager	Manager responsible for Italmobiliare's equity interests, in office at a given time
Human Resources Division	Human Resources Division of Italmobiliare
Internal Audit Function	Internal Audit Function of Italmobiliare
Group	Italmobiliare and its subsidiaries
Italmobiliare or the Company	Italmobiliare S.p.A.

LTI	The variable, medium/long-term component (Long-Term Incentive - “LTI”) of remuneration, linked to the achievement of specific business goals and the performance of the “Italmobiliare” stock price
Development and Investments Manager	Development and Investments Manager in office within Italmobiliare at a given time
MBO	The variable, short-term component (Management by Objectives) of remuneration, linked to the achievement of specific business goals on an annual basis
LTI Plan	The Italmobiliare LTI Plan for the three-year period 2017-2019, whose regulation was approved by the Shareholders' Meeting on 19 April 2017
Remuneration Policy or Policy	Remuneration policy for Italmobiliare’s Directors and personnel as submitted at any given time to the Shareholders' Meeting
GAS	Gross annual salary that constitutes the fixed component of the overall remuneration of each Italmobiliare employee
Issuers’ Regulation	The Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999, as amended and integrated
LTI Regulation	Regulation of the Italmobiliare LTI Plan approved by the Board of Directors on 27 July 2017 with the favourable opinion of the Board of Statutory Auditors, pursuant to Art. 2389 of the Italian Civil Code, on proposal of the Remuneration Committee which, among other things, identifies beneficiaries and establishes implementation procedures in accordance with the Recommendations of the Corporate Governance Committee of Borsa Italiana S.p.A.
Remuneration Report or Report	This Remuneration Report prepared pursuant to Art. 123-ter of the Consolidated Finance Act, Art. 84-quater of the Issuers’ Regulation and in compliance with the recommendations of the Corporate Governance Code
Head of the Internal Audit Function	The Head of the Internal Audit function in office at a given time within Italmobiliare
Section I	First section of the Report
Section II	Second section of the Report
Statutory Auditors	Members of the Board of Statutory Auditors
TUF	Italian Legislative Decree no. 58 of 24 February 1998, as amended and integrated

Overview - Components of Remuneration

Member	Goals and characteristics	Implementation criteria and conditions	Values
Fixed remuneration	Sufficient to compensate beneficiaries' performance in the event that the variable component is not paid due to failure to achieve performance targets, including in view of retention. Adequately balanced with the variable component based on the Company's strategic objectives and risk management policy, also considering the business sector and characteristics of activities carried out.	Determined based on the pay-mix, as well as the role and responsibilities assigned, with reference to levels adopted for equivalent positions in the market and with possible annual adjustments established for merit or for expansion of role/responsibility.	**Directors:** Euro 36,000 gross, plus Euro 6,000 gross for each Executive Committee meeting attended and Euro 3,000 gross for each Board committee meeting attended. **Chairman:** Euro 236,000 gross (including fixed annual salary of Euro 36,000 gross set by the Shareholders' Meeting for the office of Director), as well as reimbursement of any charges, expenses, or costs incurred by the individual and directly connected to the exercise of the mandate. **Deputy Chairmen[1]:** Euro 56,000 gross (including fixed annual salary of Euro 36,000 gross set by the Shareholders' Meeting for the office of Director), as well as reimbursement of any charges, expenses, or costs incurred by the individual and directly connected to the exercise of the mandate. **CEO / General Manager:** Euro 1,036,000 gross (including fixed annual salary of Euro 36,000 gross set by the Shareholders' Meeting for the office of Director). **Administrative Manager and Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto):** until 30 June 2017, Euro 162,500. From 1 July 2017, Euro 85,500[2]. **Other KMP:** based on assigned role and responsibilities.

[1] On 19 April 2017, the Board of Directors appointed two Deputy Chairmen (Livio Strazzera and Livia Pomodoro). Following the resignation of Livia Pomodoro on 13 June 2017, the office of Deputy Chairman has been held solely by Livio Strazzera.

Member	Goals and characteristics	Implementation criteria and conditions	Values
Short-term variable incentive (MBO - Management by Objectives)	Reserved for Managers who have achieved the annual performance targets assigned to them. Paid annually in the form of a variable cash incentive, after verifying that the results were effectively achieved in relation to the targets assigned. Purpose is to provide an objective assessment of management performance through the results achieved, as well as identify appropriate actions to improve future performance, including in view of retention.	Beneficiaries are given a variable annual incentive in cash based on the pay mix for each beneficiary, which can be paid if the pre-established objectives (expected performance levels) are achieved and is proportional to performance scale. There are no claw-back clauses. **CEO Objectives:** • Cash flow from current operations (80%) • Governance (20%) **Administrative Manager and Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto)**: • Cash flow from current operations (30%) • Individual objectives focussed on the adoption of the best standards of governance and control **Other KMP:** • Cash flow from current operations (40%) • Individual objectives focussed on the economic/financial performance of the Group and the implementation of projects that are strategic for the Company	**CEO / General Manager:** 1/3 of the total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI), on an annual basis and at target value. **Administrative Manager and Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto):** 15% of total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI), on an annual basis and at target value. **Other KMP:** 20% of total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI), on an annual basis and at target value.
LTI - Long-Term Incentives[3]	Has the following objectives: (i) link overall remuneration and especially the incentive system for managerial figures and key personnel of the Group to the actual performance of the Company and the creation of new value for the Group, as also expressed in the Corporate Governance Code; (ii) link the overall compensation of beneficiaries to the long-term performance of the Company and the creation of value for the shareholders; (iii) further develop retention policies aimed at earning the trust of key resources in the company and encouraging them to stay with the Company or the Group; and (iv) reward the results achieved by each beneficiary, creating the conditions to ensure greater involvement by top management in the future of the Company and increase the beneficiaries' sense of belonging, encouraging them to stay in the company.	Beneficiaries are given a variable cash incentive based on the pay mix for each beneficiary, which is paid if the performance targets are achieved and is proportional to each beneficiary's role within the Company or Group. The LTI Plan has a three-year vesting period. There are no claw-back clauses. **Indicator:** NAV per share **Payment:** dependent on CAGR over the three year period The amount of the incentive will be increased or decreased in relation to the difference between the normal value of the shares at the date of admission and the normal value of the shares at the end of the performance monitoring period.	**CEO / General Manager:** 1/3 of the total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI), on an annual basis and at target value. **Administrative Manager and Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto):** 15% of total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI), on an annual basis and at target value. **Other KMP:** 30% of total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI), on an annual basis and at target value. The value of the bonus to be attributed to beneficiaries will be calculated at the end of the LTI Plan cycle, with payment in April 2020.
Benefits	In line with reference remuneration market practices and consistent with governing regulations, all managers were assigned benefits and they are essential elements of the remuneration package, taking into consideration roles and/or responsibilities, favouring pension and social security components.		

[2] This difference is due to the fact that this office was held by Guido Biancali until 30 June 2017, when he retired and was replaced by Mauro Torri, effective 1 July 2017.
[3] For detailed information on the LTI Plan, please refer to the Information Document approved by the Board of Directors on 2 March 2017 and published on the Italmobiliare website under "Governance/Shareholder's Meeting Archive/2017".

Pay mix structure [4]

The policies relating to the fixed and variable components of remuneration aim to ensure correlation between long-term remuneration, corporate performance and the creation of value for shareholders, including through long-term bonus plans for the Company management.

The pay mix of the beneficiaries of the LTI Plan in the eventuality that the performance objectives are achieved 100%, and thus the percentage of the cash bonus that will be paid corresponds to 300 points (target), will be determined between the following maximum and minimum levels, proportionally, according to the mixes determined by the Company bodies and communicated to the beneficiaries.

Members					
GAS		**MBO**		**LTI**	
Min.	1/3	**Min.**	15%	**Min.**	15%
Max.	70%	**Max.**	1/3	**Max.**	1/3

The table below provides the pay mix for the Chairman, Deputy Chairman, CEO and General Manager, Administrative Manager and Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto), as well as Other KMP, for whom the pay mix is standardised.

Target pay mix				***Pay mix at maximum results***			
Chairman	100%			Chairman	100%		
Deputy Chairman	100%			Deputy Chairman	100%		
CEO / General Manager	1/3	1/3	1/3	CEO / General Manager	24%	38%	38%
Administrative Manager and Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto)	70%	15%	15%	Administrative Manager and Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto)	60%	20%	20%
Other KMP	50%	20%	30%	Other KMP	38%	24%	38%

Fixed salary

MBO

LTI

[4] For detailed information, please refer to the Information Document approved by the Board of Directors on 2 March 2017 and published on the Italmobiliare website under "Governance/Shareholder's Meeting Archive/2017".

SECTION I

2017 REMUNERATION POLICY

1. GOVERNANCE OF THE REMUNERATION PROCESS

1.1 Bodies and parties involved

The preparation and approval of the Policy involves several parties, in accordance with governing regulations, By-laws, and the Company's governance model. In particular, the process involves the Remuneration Committee, supported by Italmobiliare's Human Resources Division, the Board of Directors, the Shareholders' Meeting, and the Board of Statutory Auditors.

The Remuneration Committee, the CEO/General Manager, and the Board of Directors are in charge of the correct implementation of the Policy.

1.1.1 Remuneration Committee

1.1.1.1 Appointment, composition, and powers

The Remuneration Committee was established by the Board of Directors for the first time on 29 March 2000. It is composed of independent Directors, in line with the principles set forth in the Corporate Governance Code.

Members of the Remuneration Committee are appointed by the Board of Directors, which verifies, upon appointment, that at least one member of the Remuneration Committee has adequate knowledge and experience in financial matters or remuneration policies. Currently, all members of the Remuneration Committee have adequate experience in accounting and finance issues, as required by the Corporate Governance Code for at least one of the members.

At the approval date of this Report, the Remuneration Committee is composed as follows:

Member	Role
Massimo Tononi	Chairman - Independent Director pursuant to the Corporate Governance Code - Non-Executive
Chiara Palmieri	Independent Director pursuant to the Corporate Governance Code - Non-Executive
Vittorio Bertazzoni	Independent Director pursuant to the Corporate Governance Code - Non-Executive

The Remuneration Committee provides advice and makes proposals on remuneration and, in particular:

- periodically evaluates the adequacy, overall compliance and actual application of the Remuneration Policy for Directors and Key Management Personnel, using information provided by the CEO/General Manager in relation to the latter;
- formulates recommendations on remuneration to the Board of Directors;
- submits proposals to the Board of Directors on remuneration of Executive Directors and other Directors who hold particular offices;
- may also propose performance targets to the Board of Directors that are related to the variable component of remuneration;
- monitors implementation of the Board of Directors' decisions.

The Human Resources Division supports the Remuneration Committee when drawing up the remuneration proposals.

The Remuneration Committee may use external consultants to the extent of any budget approved by the Board of Directors or the CEO/General Manager, subject to ensuring that said consultants are not in situations that could compromise their independence.

No Directors shall attend Remuneration Committee meetings where proposals are made relating to their remuneration.

The Company aims to create and maintain a close correlation between remuneration and results, with a prudent risk management procedure to ensure the sustainability of the Policy adopted.

In this regard, the Remuneration Committee shall periodically evaluate the criteria adopted, monitoring its application, based on information provided by the Chairman and any corporate functions involved. Moreover, it will make recommendations on this topic to the Board of Directors.

Activity cycle for the Remuneration Committee

The activities of the Remuneration Committee are carried out according to the following phases:

- definition of Policy proposals and proposals relative to performance targets associated with the short- and long-term incentive plans;
- proposals regarding implementation of variable incentive plans in place, both short- and long-term, after verifying the results achieved in relation to performance targets envisaged in said plans;
- preparation of the Remuneration Report to be submitted each year to the Shareholders' Meeting, following approval from the Board of Directors;
- verification of the adequacy, overall consistency, and concrete application of the Policy adopted the previous year, in relation to results achieved and remuneration benchmarks provided by specialised consultants.

Activities performed in 2017

In 2017, the Remuneration Committee held 6 meetings. Member attendance was 94%. In the meetings held in 2017, the Remuneration Committee focused its activities on: review of personnel incentive policies, assessment of 2016 MBO and definition of 2017 MBO, review of the 2016 Remuneration Report, review of the Remuneration Policy to be submitted to the advisory vote of the Shareholders' Meeting, appointment of the Chairman of the Committee following the renewal of the corporate officers (three-year period 2017-2019) with the Shareholders' Meeting resolution of 19 April 2017, analysis and proposal for the remuneration of the Chairman and Deputy Chairmen of the Board of Directors, analysis and proposal of the application scope and performance targets of the variable remuneration elements (2017-2019 LTI) of the CEO/General Manager and Company managers.

1.1.2 Board of Directors

The Board of Directors:

- has sole responsibility for defining and approving the Policy, based on the proposal made by the Remuneration Committee.
- determines the remuneration of Directors vested with special powers, Key Management Personnel and/or, possibly, the Head of the Internal Audit Function, having acknowledged the opinion of the Board of Statutory Auditors and the Remuneration Committee, where expressly envisaged within the total amount that may be established by the Shareholders' Meeting;
- in accordance with the Policy, decides on any incentive plans, including those based on financial instruments, to propose to the Shareholders' Meeting for approval.
- may, in the event of significant, specific and unforeseen circumstances and on an exceptional basis, grant special bonuses for Executive Directors or Directors vested with special powers if the other overall remuneration components are considered to be objectively inadequate with respect to the results achieved, or in relation to specific extraordinary activities and/or transactions of strategic importance and impact on the Company's and/or the Group's results.

1.1.3 Shareholders' Meeting

In relation to remuneration, the Shareholders' Meeting:

- determines the remuneration of the members of the Board of Directors, Board of Statutory Auditors, and Executive Committee, upon appointment and for entire duration of the mandate;
- determines Directors' remuneration for participation in Committees;
- may determine an overall amount for remuneration of all Directors, including those vested with special powers;
- resolves on remuneration plans, on the proposal of the Board of Directors;
- upon approval of the separate financial statements, will vote for or against (in a non-binding vote) Section I of the Remuneration Report, pursuant to Art. 123-ter, paragraph 6 of the Consolidated Finance Act.

1.1.4 Board of Statutory Auditors

With regard to remuneration, the Board of Statutory Auditors expresses opinions required by governing regulations in reference to, in particular, the remuneration of Directors vested with special powers, pursuant to Art. 2389 of the Italian Civil Code, verifying their consistency with the Company's Remuneration Policy. The Board of Statutory Auditors participates regularly in the Remuneration Committee meetings.

1.2 2018 Remuneration Policy approval procedure

The Remuneration Committee, at its meeting on 14 February 2018 and in line with the recommendations of the Corporate Governance Code, defined the structure and contents of the Remuneration Policy for the purpose of preparing this Report.

Italmobiliare's 2018 Remuneration Policy was approved by the Board of Directors upon proposal by the Remuneration Committee, in the meeting held on 6 March 2018, concurrently with its approval of this Report. There are no differences between this Policy and that which was approved by the Company in 2017, prepared with the contribution of the independent advisor, Spencer Stuart.

The remuneration policies defined in accordance with the guidelines of the Board of Directors are implemented by the appropriate delegated bodies, with the support of the competent business functions.

FIGURE 2 – ACTIVITIES OF THE REMUNERATION COMMITTEE BY TOPIC

2. GENERAL PRINCIPLES OF REMUNERATION POLICY

2.1 Goals

In defining the Policy, the Company shall pursue the following goals: (i) attract, retain, and motivate a management team that has high professional skills and (ii) align management interests with shareholders' interests, promoting the creation of value in the medium-long term, and establishing a direct relationship between remuneration and performance.

Italmobiliare is inspired by the following principles:

I. compliance with primary legislation and the Corporate Governance Code;
II. governance of the definition and application of the Policy in accordance with best market practices;
III. close correlation between remuneration and results;
IV. prudent management of risks to ensure the sustainability of the Policy.

2.2 Vesting periods and any deferred payment systems

The vesting periods must reflect the goal of maintaining correlation between management remuneration, company performance, and the creation of value for shareholders. Hence, payment systems are deferred until the end of the 3rd year.

This system defers actual payment date, thereby giving enough time to check the extent to which the performance targets have been achieved and adopt any corrective measures if necessary.

2.3 Provisions for holding financial instruments in the portfolio after acquisition

Not applicable.

2.4 Policy in the event of termination of office or termination of employment

The Company has not entered into specific agreements in advance with the Executive Directors or Directors vested with special powers and Key Management Personnel to regulate the financial consequences resulting from early termination of employment by the Company or by the individual officer.

With reference to other officers, in the event of termination of employment with the Company for reasons other than just cause, the Company intends to pursue out-of-court settlements on an equitable basis, to the extent allowed by the law, benchmarks and current good practice for similar positions, without prejudice to the rules and agreements in force and, in particular, the national collective employment contract for Executives of companies producing goods or providing services.

There is no provision for granting extraordinary remuneration to Directors not vested with special powers in connection with the end of mandate.

This is without prejudice to any agreements relating to the attribution of short and long-term bonuses in the event of terminating the employment or the office during the incentive period itself.

2.5 Insurance, social security, or pension benefits, other than mandatory

In line with market practices, supplementary retirement schemes, healthcare insurance plans and life insurance plans, in addition to the provisions of the national collective employment contract for Executives of companies producing goods or providing services, are included in the remuneration plan. In accordance with standard practice for similar positions, the Chairman and CEO/General Manager may also be entitled to specific health and accident insurance policies.

2.6 Independent Directors, participation in committees, and performance of particular tasks

The Company does not have specific policies for Independent Directors.

Directors who are also members of the Executive Committee are granted an additional fixed amount for each Committee meeting they attend.

Directors who are members of the various Committees appointed within the Board of Directors are also granted an additional fixed amount for each Committee meeting they attend of which they are members.

The Board of Directors, in association with the Board of Statutory Auditors, and to the extent of the overall remuneration that may be determined by the Shareholders' Meeting in accordance with Art. 2389 paragraph 3 of the Italian Civil Code where expressly envisaged, will decide on the remuneration to allocate to the Chairman and CEO or Directors with specific duties.

However, the remuneration policy for those parties will not depart from the Policy.

In the event of significant, specific and unforeseen circumstances and on an exceptional basis, the Board of Directors may grant special bonuses for Executive Directors or Directors vested with special powers if the other overall remuneration components are considered to be objectively inadequate with respect to the results achieved, or in relation to specific extraordinary activities and/or transactions of strategic importance and impact on the Company's and/or the Group's results.

2.7 Non-monetary benefits

Non-monetary benefits may be granted (for example, company car also for personal use) as well as the other benefits in line with market practices. In accordance with standard practice for similar positions, the Chairman and CEO/General Manager may also be entitled to other benefits relating to performance of the role as decided by the Board of Directors.

2.8 Use of remuneration policies of other companies as reference in defining the Remuneration Policy

The Policy was not defined using the remuneration policies of other companies as a reference.

3. 2017 REMUNERATION POLICY GUIDELINES

Following the changes that occurred in the Group and Company in 2016, the need arose to reinforce the correlation between the long-term remuneration of top management and corporate performance/creation of value for the shareholders. Hence:

- on [●] 2016, the Board of Directors decided not to grant any further options under the “2001 Stock Option Plan for Managers” and the “2002 Stock Option Plan for Directors”, which, therefore, should be considered closed, except for the conditions granted to each beneficiary for exercise of options already granted; during 2017, Enrico Eugenio Benaglio and Guido Biancali exercised rights accrued from previous plans, with the specification that Mr. Biancali terminated his working relationship with the Company in 2017);
- in its meeting of 2 March 2017, the Board of Directors resolved not to activate the third cycle of the “2011 Long-Term Cash Incentive Plan, linked to the increase in value of Italmobiliare shares, for Directors and Key Management Personnel” and the “2011 Long-Term Cash Incentive Plan, linked to the increase in value of Italmobiliare shares, for Managers”, which had a fixed duration of 3 three-year cycles between 2011 to 2019; at the same meeting, the Board of Directors also reviewed, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, the results obtained and performance levels achieved by beneficiaries of the 2016 MBO (to the extent necessary to determine their point value and related financial value) and set the objectives of the 2017 MBO;
- the Shareholders' Meeting of 19 April 2017 approved the adoption of the LTI Plan, delegating to the Board of Directors the responsibility for identifying beneficiaries, identifying performance targets, and verifying their achievement; the Board of Directors meeting of 27 July 2017 approved the LTI Regulations, with the favourable vote of the Chairman of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors pursuant to Art. 2389 of the Italian Civil Code, identifying the Plan beneficiaries, related performance targets, and verification methods;

These actions did not result in a substantial change in the Policy compared to 2016.

In this context, the overall remuneration will comprise the following components:

- GAS;
- MBO;
- LTI.

The weight of each of the overall remuneration components is as follows:

- the weight of the yearly fixed component is included in a range that can vary from about 33% to about 70% of total remuneration;
- the weight of the MBO at target level is included in a range that can vary from about 15% to about 33% of total remuneration;
- the weight of the LTI at target level is included in a range that can vary from about 15% to about 33% of total remuneration.

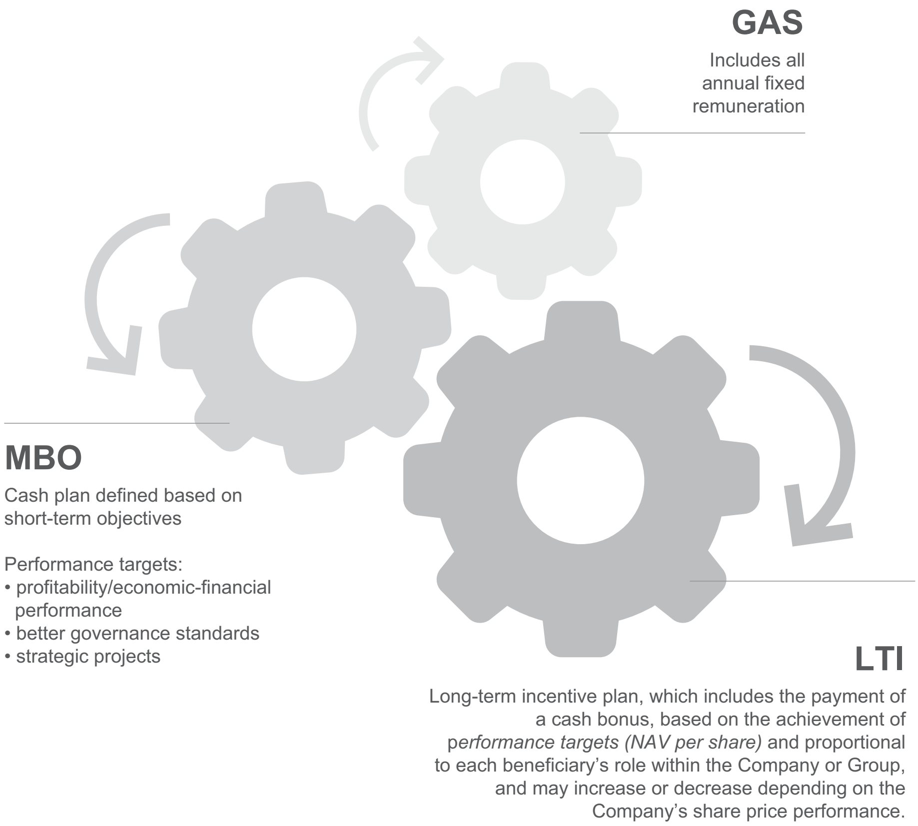
The above-mentioned weights may exceed the maximum limits mentioned above where specific "exceptional" goals have been set and achieved. The Board of Directors or the CEO/General Manager have established the performance targets and the assessment indicators.

The performance targets, with reference to long-term variable components of remuneration, shall be pre-established, measurable, and linked to the creation of value for the Company and the shareholders over the medium-long term. For example, they could include targets linked to the Company's and/or the Group's profitability or financial performance, the adoption of the best governance standards, sustainable development, and implementation of strategic projects for the Company. Each target will be assigned a rating that will, in turn, correspond to the value of the bonus to be paid.

The criteria used to assess the performance targets will be based on the financial position, financial performance and profitability achieved by the Company and/or the Group. They constitute indicators of the capacity of the Company to produce value and manage its business risk.

The envisaged remuneration tools are summarised in the following diagram:

FIGURE 3 – REWARD POLICY



3.1 MBOs

3.1.1 Purpose of the MBO

The purpose of the MBO is to:

- Support management actions in the short term, consistent with the targets set, including in view of retention;
- Provide an objective assessment of management performance through results achieved;
- Identify appropriate actions to improve management's future performance.

3.1.2 Scope of the MBO

The MBO envisages the granting to beneficiaries of a cash incentive proportional to each beneficiary's responsibilities within the Company, payable subject to the achievement of predetermined performance targets.

3.1.3 Duration of the MBO

The MBO objectives are assigned on an annual basis and the monitoring period for performance is equivalent to the financial year.

3.2 LTI Plan

3.2.1 Purpose of the LTI Plan

The purpose of the LTI Plan is to:

- link overall remuneration and especially the incentive system for managerial figures and key personnel of the Group to the actual performance of the Company and the creation of new value for the Group, as also expressed in the Corporate Governance Code;
- link beneficiaries' overall compensation to the Company's long-term performance and to value creation for shareholders.
- further develop retention policies aimed at earning the trust of key resources in the company and encouraging them to stay with the Company or the Group;
- reward the results achieved by each beneficiary, creating the conditions to ensure greater involvement by top management in the future of the Company and increase the beneficiaries' sense of belonging, encouraging them to stay in the company.

3.2.2 Scope of the LTI Plan

The LTI Plan provides for the assignment to beneficiaries of a cash incentive, subject to reaching certain company performance targets, measured in terms of NAV per share, and proportional to the beneficiary's role within the Company or Group. The incentive may increase or decrease in relation to the difference between the normal value of the Italmobiliare shares at the date of admission to the LTI Plan and the normal value at the end of the performance monitoring period. In addition, a maximum amount is set for the incentive.

3.2.3 Duration of the LTI Plan

The LTI Plan is set out over a 3-year period (2017-2019), during which the performance targets set by the Board of Directors are verified. The Board of Directors, subject to the opinion of the Remuneration Committee and the prior establishment of the relative performance targets, can launch additional plan cycles in subsequent years [5].

3.3 Remuneration of Directors and Key Management Personnel

3.3.1 Chairman

3.3.1.1 Remuneration for office	The gross annual remuneration of the Chairman of the Board of Directors is Euro 200,000 in addition to the gross ordinary remuneration of Euro 36,000 for the office of Director for the 2017-2019 period. Moreover, any charges, expenses, or costs incurred that are directly connected to the exercise of the mandate are also reimbursed. The Chairman does not receive variable remuneration. Given the nature of the office, there are no agreements on end-of-service benefits and indemnities..
3.3.1.2 *Benefits*	None

3.3.2 Deputy Chairman

3.3.2.1 Remuneration for office	The gross annual remuneration of the Deputy Chairman of the Board of Directors is Euro 20,000, in addition to gross ordinary remuneration of Euro 36,000 for the office of Director for the 2017-2019 period. Moreover, any charges, expenses, or costs incurred that are directly connected to the exercise of the mandate are also reimbursed. The Deputy Chairman does not receive variable remuneration. Given the nature of the office, there are no agreements on end-of-service benefits and indemnities.
3.3.2.2 *Benefits*	None

[5] For further information on the LTI Plan, please refer to the information document drawn up in accordance with Art. 84-bis of the Issuers' Regulation, published on the internet site www.italmobiliare.it under " Governance/Shareholders' Meeting Archive/2017".

3.3.3 Directors

3.3.3.1 Fixed remuneration

The Ordinary Shareholders' Meeting of 19 May 2017 resolved to grant annual remuneration of Euro 36,000 to the members of the Board of Directors, until decided otherwise.

In compliance with current best practice for Directors not vested with special powers, no variable component of remuneration is provided, but Directors are reimbursed for expenses incurred in performing their office.

The remuneration of Executive Directors or Directors vested with special powers is directly established at the time of appointment, or at a subsequent meeting, by the Board of Directors, acting upon the recommendation of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The Company does not have specific policies for Independent Directors.

Given the nature of the office, there are no agreements on end-of-service benefits and indemnities.

3.3.3.2 *Benefit*

None

3.3.3.3 Remuneration for partecipation in Committees

Directors who are also members of the Executive Committee are granted an additional fixed amount of Euro 6,000 for each Committee meeting they attend.

Directors who are members of the various committees appointed within the Board of Directors are granted an additional fixed amount of Euro 3,000 for each meeting they attend of the Committee(s) to which they are members.

3.3.4 CEO/General Manager

3.3.4.1 Fixed remuneration

The remuneration for the CEO/General Manager was resolved by the Board of Directors on 2 March 2017, upon proposal by the Remuneration Committee and with the reasoned opinion of the Board of Statutory Auditors. The Remuneration Committee reviewed the issue in the meeting of 1 March 2017.

Following the above analysis, the Remuneration Committee decided to propose to the Board of Directors a fixed gross annual salary for the CEO/General Manager of Euro 1,000,000. As with other Directors, the CEO/General Manager benefits from a third-party liability insurance policy has been taken out for events related to the exercise of their functions, in compliance with the provisions set forth with regard to their offices, except in cases of wilful misconduct and fraud.

The remuneration prescribed for the role of Chairman of subsidiary Clessidra Sgr, Euro 100,000 gross per annum, is paid back in its entirety to parent company Italmobiliare.

3.3.4.2 Short-term variable incentive	The CEO/General Manager receives variable remuneration (2017 MBO), linked to business performance and individual objectives, based on the following specifications: an amount equivalent to 1/3 of total remuneration, considering the fixed components, short-term component (MBO), and long-term component (LTI) on an annual basis at the target value. Regarding the MBO 2017 objectives assigned to the CEO/General Manager, 80% of the incentive has been linked to an objective focussed on the economic performance of the Company (Cash Flow from current operations) with a performance target level aligned to the budget value. The remaining 20% is linked to governance objectives, the assessment of which is a matter for the Board of Directors, based on the reasoned opinion of the control bodies.
3.3.4.3 Long-term incentives	The CEO/General Manager is a beneficiary of the LTI Plan, amounting to 1/3 of total remuneration, considering the fixed components, short-term component (MBO), and long-term component (LTI) on an annual basis at the target value.
3.3.4.4 Termination benefits and indemnities	None
3.3.4.5 *Benefits*	Non-monetary benefits may be granted as well as the other benefits in line with market practices. In accordance with current standard practices for similar positions, the CEO/General Manager may also be entitled to other benefits relating to performance of the role as decided by the Board of Directors.
3.3.4.6 Non-compete agreements	None

3.3.5 KMP

The Company's Board of Directors has identified the following roles as Key Management Personnel: Administrative Manager/Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto), Equity Interests Manager, and the Development and Investments Manager.

The remuneration for KMPs is defined by the Board of Directors on the proposal of the Remuneration Committee and having acknowledged the opinion of the Board of Statutory Auditors.

3.3.5.1 Administrative Manager / Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto)

3.3.5.1.1 Fixed remuneration	At the meeting held on 19 April 2017, the Company's Board of Directors appointed Guido Biancali as the Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto), confirming the fixed gross annual salary of Euro 30,000. After the appointment, Guido Biancali resigned upon reaching retirement age and, at the meeting of 21 June 2017, the Board of Directors appointed Mauro Torri as Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto) effective 1 July 2017, including this position among Key Management Personnel.

Therefore, the Board of Directors established the overall remuneration assigned to the Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto), consisting of a fixed gross annual salary of Euro 170,000 and a gross annual salary of Euro 60,000 for the position of Manager responsible for preparing the Company's Financial Reports

3.3.5.1.2 Short-term variable incentive

The Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto) receives variable remuneration (2017 MBO), linked to business performance and individual objectives, equivalent to 15% of total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI) on an annual basis and at the target value.

3.3.5.1.3 Long-term incentives

The Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto) is a beneficiary of the LTI Plan according to the following specifications: an amount equivalent to 15% of total remuneration, considering the fixed component, short-term component (MBO), and long-term component (LTI) on an annual basis and at the target value.

The 2017 MBO of the Manager responsible for preparing the Company's Financial Reports (Dirigente Proposto) was determined with 30% linked to the Cash Flow from current operations with performance target level aligned to the budget value, and 70% linked to individual objectives related to the adoption of better standards of governance, control and oversight of regulatory and legal compliances.

3.3.5.1.4 Termination benefits and indemnities

None

3.3.5.1.5 *Benefits*

Non-monetary benefits may be granted (for example, company car also for personal use) as well as the other benefits in line with market practices.

3.3.5.1.6 Non-compete agreements

None

3.3.5.2 Other KMP

3.3.5.2.1 Remuneration

The remuneration components for Other KMP are as follows:

- an annual fixed component;
- an annual variable component linked to the achievement of specific company targets (MBO), equivalent to 20% of the total remuneration, considering the fixed component, short-term component (MBO), and the long-term component (LTI) on an annual basis at the target value; The 2017 MBO was determined with 40% linked to the Cash Flow from current operations with performance target level aligned to the budget value and 60% linked to individual objectives related to the profitability and economic-financial performance of the Company

and/or the Group, and the implementation of projects that are strategic for the Company;
- a variable long-term cash component (LTI) linked to the performance of Italmobiliare's shares, equivalent to 30% of total remuneration, considering the fixed component, short-term component (MBO), and the long-term component (LTI) on an annual basis at the target value.

Given the nature of the employment relationships, there are no agreements on end-of-service benefits and indemnities.

3.3.5.2.2 *Benefits*

Non-monetary benefits may be granted (for example, company car also for personal use) as well as the other benefits in line with market practices

3.3.5.2.3 Non-compete agreements

None

3.3.6 Head of the Internal Audit Function

3.3.6.1 Remuneration

The remuneration of the Head of the Internal Audit Function is established by the Board of Directors upon the recommendation of the Remuneration Committee, based on the opinion of the Director in charge of the Internal Control and Risk Management System, the Risks and Sustainability Committee, and the Board of Statutory Auditors.

The remuneration components for the Head of the Internal Audit Function are as follows:

- an annual fixed component;
- an annual variable component linked to the achievement of specific company targets (Management by Objectives);
- a variable long-term cash component (LTI) linked to the performance of the Italmobiliare share price

The assignment of targets not related to business performance but to the full and effective performance of the function is designed to ensure the best possible conditions for the correct performance of duties for this role, also in terms of remuneration.

The Head of the Internal Audit Function is a beneficiary of the LTI Plan, with the understanding that the LTI component is equal to only 15% of total remuneration.

Given the nature of the office, there are no agreements on end-of-service benefits and indemnities.

3.3.6.2 *Benefits*

Non-monetary benefits may be granted (for example, company car also for personal use) as well as the other benefits in line with market practices

3.3.6.3 Non-compete agreements

None

3.3.7 Officers directly reporting to the CEO / General Manager

3.3.8.1 Remuneration

The remuneration for Officers directly reporting to the CEO/General Manager is defined by them with the support of the Human Resources Division.

The remuneration components for Officers directly reporting to the CEO/General Manager are as follows:

- an annual fixed component;
- an annual variable component linked to the achievement of specific company targets (Management by Objectives);
- a variable long-term cash component (LTI) linked to the performance of Italmobiliare's shares.

Given the nature of the employment relationships, there are no agreements on end-of-service benefits and indemnities.

3.3.8.2 *Benefits*

Non-monetary benefits may be granted (for example, company car also for personal use) as well as the other benefits in line with market practices

3.3.8.3 Non-compete agreements

None

SECTION II

REMUNERATION AND OTHER INFORMATION

REMUNERATION PAID IN 2017

A description of the remuneration paid in 2017 to the Chairman, the Deputy Chairman, Non-Executive Directors, the CEO/General Manager, and Key Management Personnel is provided below.

The information includes actions taken starting from appointment of the Board of Directors by the Shareholders' Meeting on 19 April 2017 through 31 December 2017. Solely with regard to Director Elsa Maria Olga Fornero, the reference period begins on 27 July 2017, i.e., from the date of her appointment by co-option to replace Livia Pomodoro. Consequently, for Livia Pomodoro, the reference period starts from appointment (19 April 2017) through the effective date of resignation (27 July 2017).

Remuneration paid to members of administrative and control bodies, general managers, and other key management personnel

Name and surname	Office	Period in which office was held	Expiration of term of office	Fixed remuneration	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Termination indemnity
						Bonuses and other incentives	Profit sharing					
Giampiero Pesenti	Chairman Executive Committee	01/01 – 19/04 2017	2016									
(I) Remuneration in company preparing the financial statements				128,667		441,974		151,996		722,637		
(II) Remuneration from subsidiaries and associates												
			Total	128,667		441,974		151,996		722,637		
Laura Zanetti	Chairperson (from 19/04/17) Executive Committee Remuneration Committee (until 19/04/17)	01/01 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				169,333	15,000					184,333		
(II) Remuneration from subsidiaries and associates												
			Total	169,333	15,000					184,333		
Italo Lucchini	Deputy Chairman Executive Committee Remuneration Committee	01/01 – 19/04 2017	2016									
(I) Remuneration in company preparing the financial statements				28,666	9,000					37,666		
(II) Remuneration from subsidiaries and associates												
			Total	28,666	9,000					37,666		
Livia Pomodoro	Deputy Chairperson Committee for Transactions with Related Parties	19/04 – 13/06	2017									
(I) Remuneration in company preparing the financial statements				9,333	3,000					12,333		
(II) Remuneration from subsidiaries and associates												
			Total	9,333	3,000					12,333		
Livio Strazzera	Chairman (from 19/04/17) Executive Committee	01/01 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				49,333	6,000					55,333		
(II) Remuneration from subsidiaries and associates												
			Total	49,333	6,000					55,333		
Carlo Pesenti	CEO General Manager Executive Committee	01/01 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				1,036,000	6,000	2,463,019 *		186,000		3,691,019		
(II) Remuneration from subsidiaries and associates												
			Total	1,036,000	6,000	2,463,019		186,000		3,691,019		
Annamaria Artoni	Director Committee for Transactions with Related Parties	01/01 – 19/04 2017	2016									
(I) Remuneration in company preparing the financial statements				12,000						12,000		
(II) Remuneration from subsidiaries and associates												
			Total	12,000						12,000		
Vittorio Bertazzoni	Director Remuneration Committee	19/04 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				24,000	6,000					30,000		
(II) Remuneration from subsidiaries and associates												
			Total	24,000	6,000					30,000		
Giorgio Bonomi	Director Risks and Sustainability Committee	01/01 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				36,000	30,000					66,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	30,000					66,000		
Mirja Cartia d'Asero	Director Risks and Sustainability Committee Committee for Transactions with Related Parties	19/04 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				24,000	30,000					54,000		
(II) Remuneration from subsidiaries and associates												
			Total	24,000	30,000					54,000		

* Remuneration consisting of the annual MBO incentive of 867,000 euros and the deferred LTI for the three-year period 2014-2016 of 1,596,019 euros paid in 2017.

Name and surname	Office	Period in which office was held	Expiration of term of office	Fixed remuneration	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Termination indemnity
						Bonuses and other incentives	Profit sharing					
Valentina Casella	Director Risks and Sustainability Committee Committee for Transactions with Related Parties	19/04 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				24,000	30,000					54,000		
(II) Remuneration from subsidiaries and associates												
			Total	24,000	30,000					54,000		
Carolyn Dittmeier	Director Risks and Sustainability Committee Committee for Transactions with Related Parties	01/01 – 19/04 2017	2016									
(I) Remuneration in company preparing the financial statements				12,000	9,000					21,000		
(II) Remuneration from subsidiaries and associates												
			Total	12,000	9,000					21,000		
Elsa Fornero	Director Committee for Transactions with Related Parties	27/07 – 31/12	2019									
(I) Remuneration in company preparing the financial statements				15,000	3,000					18,000		
(II) Remuneration from subsidiaries and associates												
			Total	15,000	3,000					18,000		
Sebastiano Mazzoleni	Director	01/01 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				36,000						36,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000						36,000		
Luca Minoli	Director Executive Committee	01/01 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				36,000	6000				67,416	109,416		
(II) Remuneration from subsidiaries and associates									3,670	3,670		
			Total	36,000	6000				71,086	113,086		
Gianemilio Osculati	Director	01/01 – 19/04 2017	2016									
(I) Remuneration in company preparing the financial statements				12,000						12,000		
(II) Remuneration from subsidiaries and associates												
			Total	12,000						12,000		
Chiara Palmieri	Director Remuneration Committee	19/04 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				24,000	9,000					33,000		
(II) Remuneration from subsidiaries and associates												
			Total	24,000	9,000					33,000		
Clemente Rebecchini	Director	01/01 – 31/12 2017	2019									
(I) Remuneration in company preparing the financial statements				36,000						36,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000						36,000		
Paolo Sfameni	Director Supervisory Board Risks and Sustainability Committee Committee for Transactions with Related Parties Remuneration Committee	01/01 – 19/04	2016									
(I) Remuneration in company preparing the financial statements				12,000	40,500					52,500		
(II) Remuneration from subsidiaries and associates												
			Total	12,000	40,500					52,500		
Massimo Tononi	Director Executive Committee Remuneration Committee	01/01 – 31/12	2019									
(I) Remuneration in company preparing the financial statements				36,000	15,000					51,000		
(II) Remuneration from subsidiaries and associates												
			Total	36,000	15,000					51,000		

NOTE: Mr. Antonio Salerno renounced to his remuneration as Director.

Name and surname	Office	Period in which office was held	Expiration of term of office	Fixed remuneration	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Termination indemnity
						Bonuses and other incentives	Profit sharing					
Francesco Di Carlo	Chairman of the Board of Statutory Auditors	01/01 – 31/12	2019									
(I) Remuneration in company preparing the financial statements				75,000						75,000		
(II) Remuneration from subsidiaries and associates												
			Total	75,000						75,000		
Angelo Casò	Standing Auditor	01/01 – 31/12	2019									
(I) Remuneration in company preparing the financial statements				50,000						50,000		
(II) Remuneration from subsidiaries and associates												
			Total	50,000						50,000		
Luciana Ravicini	Standing Auditor	01/01 – 31/12	2019									
(I) Remuneration in company preparing the financial statements				50,000						50,000		
(II) Remuneration from subsidiaries and associates												
			Total	50,000						50,000		
Key Management Personnel (3)		01/01 – 31/12	2017									
(I) Remuneration in company preparing the financial statements				772,500		439,957		14,311	45,000	1,271,768		
(II) Remuneration from subsidiaries and associates												
			Total	772,500		439,957		14,311	45,000	1,271,768		

Remuneration is shown below, broken down by individual position, for the each of the data points included in the aggregate

Fixed remuneration		
Giampiero Pesenti	Director remuneration	12,000
	Fixed remuneration	116,667
Laura Zanetti	Director remuneration	36,000
	Fixed remuneration	133,333
	Executive Committee remuneration	6,000
	Remuneration Committee remuneration	9,000
Italo Lucchini	Director remuneration	12,000
	Fixed remuneration	16,666
	Remuneration Committee remuneration	9,000
Livia Pomodoro	Director remuneration	6,000
	Fixed remuneration	3,333
	Executive Committee remuneration	3,000
Livio Strazzera	Director remuneration	36,000
	Fixed remuneration	13,333
	Executive Committee remuneration	6,000
Carlo Pesenti	Director remuneration	36,000
	Fixed remuneration	1,000,000
	Executive Committee remuneration	6,000
Remuneration for committee participation		
Mirja Cartia d'Asero	Risks and Sustainability Committee remuneration	21,000
	Committee for Transactions with Related Parties remuneration	9,000
Valentina Casella	Risks and Sustainability Committee remuneration	21,000
	Committee for Transactions with Related Parties remuneration	9,000
Paolo Sfameni	Risks and Sustainability Committee remuneration	9,000
	Remuneration Committee remuneration	9,000
	Supervisory Board remuneration	22,500
Massimo Tononi	Executive Committee remuneration	6,000
	Remuneration Committee remuneration	9,000

Stock options assigned to members of administrative bodies, general managers, and other key management personnel

			Options held at beginning of year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at end of year	Options related to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Name and surname	Office	Plan	Number of options	Exercise price	Exercise period (from-to)	Number of options	Exercise price	Exercise period (from-to)	Fair value at assignment date	Assignment date	Market price of underlying shares at option assignment	Number of options	Exercise price	Market price of underlying shares at exercise date	Number of options	Number of options	Fair value
Giampiero Pesenti	Chairman until 19/04/2017																
(I) Remuneration in company preparing the financial statements		Stock option plan for managers (BoD resolution of 27/03/2001)	120,000	29.954	28/03/2011 27/03/2018	-	-	-	-	-	-	-	-	-	-	120,000	-
			106,000	14.417	24/03/2013 23/03/2020	-	-	-	-	-	-	-	-	-	-	106,000	
			96,000	13.734	30/03/2014 29/03/2021	-	-	-	-	-	-	-	-	-	-	96,000	
(II) Remuneration from subsidiaries and associates			-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total	322,000	-	-	-	-	-	-	-	-	-	-	-	-	322,000	
Carlo Pesenti	CEO - General Manager																
(I) Remuneration in company preparing the financial statements		Stock option plan for managers (BoD resolution of 27/03/2001)	71,000	29.954	28/03/2011 27/03/2018	-	-	-	-	-	-	-	-	-	-	71,000	-
		Stock Option Plan for Directors (BoD resolution of 27/03/2002)	71,600	14.417	24/03/2013 23/03/2020	-	-	-	-	-	-	-	-	-	-	71,600	
			61,400	13.734	30/03/2014 29/03/2021	-	-	-	-	-	-	-	-	-	-	61,400	
(II) Remuneration from subsidiaries and associates						-	-	-	-	-	-	-	-	-	-	-	-
		Total	204,000	-	-	-	-	-	-	-	-	-	-	-	-	204,000	
Key Management Personnel																	
(I) Remuneration in company preparing the financial statements		Stock option plan for managers (BoD resolution of 27/03/2001)	18,700	29.954	28/03/2011 27/03/2018	-	-	-	-	-	-	-	-	-	-	18,700	
			11,600	10.263	24/03/2012 23/03/2019	-	-	-	-	-	-	6,600	10.263	23.960	-	5,000	
		Stock option plan for managers (BoD resolution of 27/03/2002)	6,630	14.417	24/03/2013 23/03/2020	-	-	-	-	-	-	6,630	14.417	24.180	-	-	
			18,000	13.734	30/03/2014 29/03/2021	-	-	-	-	-	-	18,000	13.734	24.220	-	-	
(II) Remuneration from subsidiaries and associates						-	-	-	-	-	-	-	-	-	-		
		Total	54,930									31,230				23,700	

Incentive plans based on financial instruments, other than stock options, for members of administrative bodies, general managers, and other key management personnel

			Financial instruments assigned in previous years not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not attributed	Financial instruments vested during the year and not attributed		Financial instruments for the year
A	**B**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
Name and surname	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at assignment date	Vesting period	Assignment date	Market price at assignment	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair value
Giampiero Pesenti	Chairman												
(I) Remuneration in company preparing the financial statements	20/06/2014	Long-term monetary incentive plan for directors and key management personnel	Range 13,000 - 23,000	20/06/2014 31/12/2016							10,330	441,974	
(II) Remuneration from subsidiaries and associates	-												
		Total									10,330	441,974	
Carlo Pesenti	CEO General Manager												
(I) Remuneration in company preparing the financial statements	20/06/2014	Long-term monetary incentive plan for directors and key management personnel	Range 25,000 - 41,600	20/06/2014 31/12/2016							37,304	1,596,019	
(II) Remuneration from subsidiaries and associates	-												
		Total									37,304	1,596,019	
Guido Biancali	Manager responsible for preparing the Company's Financial Reports (Dirigente Preposto) until 30/06/2017												
(I) Remuneration in company preparing the financial statements	20/06/2014	Long-term monetary incentive plan for directors and key management personnel	Range 7,500 - 11,250	20/06/2014 31/12/2016							6,968	298,157	
(II) Remuneration from subsidiaries and associates	-												
		Total									6,968	298,157	

Incentive plans based on financial instruments, other than stock options, for members of administrative bodies, general managers, and other key management personnel

Name and surname	Office	Plan	Bonus for the year			Bonuses from previous years			Other bonuses
			Payable/paid	Deferred	Deferment period	No longer payable	Payable/paid	Still deferred	
Carlo Pesenti	CEO General Manager								
(I) Remuneration in company preparing the financial statements	6 March 2018	Annual MBO	867,000						
	27 July 2017	Three-Year LTI		Max 1,667,000*					
(II) Remuneration from subsidiaries and associates									
		Total	867,000						
Key Management Personnel									
(I) Remuneration in company preparing the financial statements	6 March 2018	Annual MBO	141,800						
	27 July 2017	Three-Year LTI		Max 550,000*					
(II) Remuneration from subsidiaries and associates									
		Total	141,800						

* theoretical 2017 portion of 2017-2019 LTI Plan. The incentive amount as presented above will increase or decrease in relation to the difference between the normal value of shares on the admission date and the normal value of shares at the end of the monitoring period.

Shareholdings of the members of the Governing and Supervising Bodies, of the Chief Operating Officer and other key management personnel

Name and surname	Office	Investee company	Number of shares owned at end of previous year		Number of shares acquired		Number of shares sold		Number of shares owned at end of current year	
Giampiero Pesenti	Chairman	ITALMOBILIARE	ord. shares:	23,724	ord. shares:	23,724 [1]	ord. shares:	-	ord. shares:	47,448
Carlo Pesenti	CEO General Manager	ITALMOBILIARE	ord. shares:	400	ord. shares:	400 [1]	ord. shares:	-	ord. shares:	800
Giorgio Bonomi	Director	ITALMOBILIARE	ord. shares:	400 [2]	ord. shares:	400 [1]	ord. shares:	-	ord. shares:	800 [2]
Livio Strazzera	Director	ITALMOBILIARE	ord. shares:	100	ord. shares:	100	ord. shares:	-	ord. shares:	200
Laura Zanetti	Director	ITALMOBILIARE	ord. shares:	900	ord. shares:	900 [1]	ord. shares:	-	ord. shares:	1,800

1) following share split
2) shares held by spouse

Explanatory report by the Board of Directors on the authorisation to purchase and dispose of the company's own shares, after revocation of the authorisation resolved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2017: related and consequent resolutions

Dear Shareholders,

The ordinary and extraordinary shareholders' meeting held on 19 April 2017 renewed the Company's authorisation to purchase and dispose of its own shares, for a period of 18 months from the day of the resolution.
Under the aforementioned shareholders' authorisation, the Company has during the year purchased 3,999,832 of its own ordinary shares, while it has used some of its treasury shares to allocate them to stock option beneficiaries exercising the rights they had already accrued.
Therefore, as of the date of 6 March 2018, the Company held 5,690,870 of its own ordinary shares (treasury shares). The carrying amount of the Company's treasury shares on that date was 134,608,000 euros, and this was reported in the company's accounts in the forms prescribed by the applicable law.
Since the period of validity of the authorisation expires on 19 October next, we ask you to renew this authorisation for the next 18 months, to enable the Company to retain the right to purchase its own shares and to dispose of them.

1. Reasons why authorisation is being requested to purchase the Company's own shares

This authorisation to purchase own shares will serve the usual aims, as also disciplined by law, and may therefore be designed to:

- ensure that a sufficient stock of treasury shares is available: (i) to service any share-based incentive plans (stock options), and/or (ii) to make a medium and long-term investment in the Company;
- to intervene, in compliance with the applicable provisions, directly, or through intermediaries, to contain abnormal changes in share price and to regularise the course of trading and share price changes, when faced with distorting phenomena linked to excess volatility or low trading liquidity;
- to ensure that the Company has a portfolio of treasury shares available to it in the context of any possible extraordinary financial transactions, such as, for example, possible acquisitions or strategic alliances or possible payments of dividends or reserves in kind, or for other uses deemed to be in the financial, operational and/or strategic interests of the company;
- to offer shareholders a further tool for converting their investment into cash.

2. Arrangements to be used to make the purchases

Italmobiliare's purchases of its own shares will be carried out, within the limits prescribed in the applicable regulation, and without prejudice to the matters specified below, using methods that assure equality of treatment of Shareholders, and which do not permit the direct matching of proposals to buy with specific proposals to sell.
Furthermore, taking account of the various aims that may be pursued, the Board of Directors proposes that it be authorised to make purchases according to any further arrangements permitted by applicable regulations and law and therefore, at the present time:

- by means of public offers to purchase or exchange;
- through the purchase and sale of derivative instruments traded on regulated markets that envisage the physical transfer of the underlying shares;
- by the proportional attribution to the Shareholders of sale options, to be exercised within the lifetime of the authorisation pursuant to paragraph 5 below.

The transactions to purchase the Company's own shares for which authorisation is requested will be executed in compliance with the applicable law and, in particular, in accordance with the Italian and European Union legislative and regulatory provisions, also on the subject of market abuse.
Adequate disclosure of the transactions to purchase the Company's own shares will be provided in compliance with the applicable disclosure obligations.

3. Maximum number, category and par value of the shares to which the authorisation to purchase refers. Information useful to properly assess compliance with Article 2357, subsection 3 of the Italian Civil Code.

At the date of this report, the subscribed and fully paid-up share capital of Italmobiliare is equal to 100,166,937.00 euros, represented by 47,633,800 ordinary shares without par value. On the same date, the Issuer holds 5,690,870 of its own shares in its portfolio, corresponding to 11.9% of the shares that represent the share capital.

An authorisation of a general nature is requested to purchase, in one or more tranches, ordinary shares of Italmobiliare S.p.A. without par value, up to a maximum number that, taking account on each occasion of the treasury shares held in the Company's portfolio, and of the number of Company shares held by its subsidiaries, does not exceed the maximum number specified in the law that is for the time being applicable.
It is therefore proposed that a mandate be conferred on the Board of Directors to identify the number of shares to be purchased in relation to each of the aims specified in Paragraph 1 above, before starting each of the individual purchase programmes, within the maximum limit specified above. To ensure that the legal limits are respected, procedures suitable to ensure timely and complete disclosure about the shares owned by the subsidiary companies will be developed, in each case.
The purchase of own shares must occur within the limits of the profits available for distribution plus the available reserves reported in the last set of financial statements (or interim accounts) approved at the moment the purchase is completed. To this end, it is specified that, based on the results in the draft financial statements as at 31 December 2017, approved by the Board of Directors on 6 March 2018 and submitted to the ordinary meeting of the Shareholders of Italmobiliare on 18 April 2018, the profits available for distribution total .... euros net of the proposed dividend of (•) euros per share and the available reserves of .... euros.
In the event of purchases of own shares, the appropriate account postings will be made, in accordance with the provisions of law and applicable accounting principles.

4. Minimum and maximum consideration for the purchase of own shares and the market valuations on the basis of which the consideration was determined.

The price of each share purchased by virtue of this authorisation must be no more than 15% higher or lower than the average reference price recorded on Borsa Italiana in the three trading days preceding each individual purchase transaction.

5. Period of time for which the authorisation to purchase is requested

The authorisation to purchase the Company's own shares is requested for a period of 18 (eighteen months) from the date of the resolution of the ordinary Shareholders' Meeting.

6. Authorisation to dispose of the Company's own shares

The Board of Directors also proposes to authorise the use of the own shares acquired by virtue of the authorisation in question pursuant to art. 2357-ter of the Italian Civil Code, at any time, in whole or in part, in one or more occasions, through the disposal thereof inside or outside the stock exchange, also for the purpose of possible acquisitions and/or the development of alliances in accordance with the strategic policies of the group, or as part of any future distribution of dividends or reserves, including in kind, or as part of management and employee incentive plans, according to the terms, arrangements and conditions of the act of disposal of the own shares deemed to be most opportune in the interests of the Company, or to intervene, in compliance with the applicable provisions, directly, or through intermediaries, to contain abnormal changes in share price and to regularise the course of trading and share price changes, when faced with distorting phenomena linked to excess volatility or low trading liquidity, it remaining the case that:

- the unit sale price (or, in any event, the unit value established in the disposal transaction) may in no case be lower than the average carrying price of the shares purchased on the basis of the authorisation; and
- the limit specified above shall not be applicable if the shares should be allocated to employees of Italmobiliare and its subsidiaries, parent companies or other companies controlled by these latter companies, or to members of the Board of Directors of Italmobiliare who hold particular offices in conformity with the founding document, or who have specific operational positions, within the context of the share-based incentive plans for employees and directors (stock options), as well as in the case of use of the treasury shares in the context of any extraordinary financial transactions or other uses deemed to be in the financial, operational and/or strategic interests of the Company.

The Board of Directors proposes that the disposal authorisation in question should permit the adoption of any arrangements that might be advisable to meet the aims pursued, to be carried out both directly and through intermediaries, in compliance with the applicable Italian and European Union legal and regulatory provisions on the subject.
The transactions to dispose of the own shares for which authorisation is requested will be carried out in accordance with the applicable law and, in particular, in accordance with the applicable Italian and European Union legal and regulatory provisions, including those on market abuse.
Adequate disclosure of the transactions to dispose of the own shares will be made, in compliance with the applicable disclosure obligations.
In the event of disposals of shares, the appropriate accounts postings must be made, in accordance with the provisions of law and applicable accounting principles.

7. Period of time for which the authorisation to dispose of own shares is requested

The authorisation to dispose of the Company's own shares is requested without time limits.

***

If you agree with the proposal formulated, we would invite you to pass the following resolution:

"The Shareholders' Meeting;
- *having considered and approved the Report of the Board of Directors,*
- *given the discipline set out in articles 2357 et seq. of the Italian Civil Code,*

resolves

1. *to revoke the resolution to authorise the purchase and disposal of the Company's own shares, adopted by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2017;*
2. *to authorise, pursuant to and for the purposes of art. 2357 of the Italian Civil Code, the purchase, in one or more tranches, for a period of 18 (eighteen months) with effect from the date of this resolution, of ordinary shares of the Company up to a maximum number that, taking account on each occasion of the treasury shares held in the Company's portfolio, and of the number of Company shares held by its subsidiaries does not exceed the maximum number specified in the law that is for the time being applicable, giving a mandate to the Board of Directors to identify the number of shares to be purchased in relation to each of the aims specified above, before starting each of the individual purchase programmes;*
3. *to establish that the consideration for the own shares to be purchased is no more than 15% higher or lower than the average reference price recorded on Borsa Italiana in the three trading days preceding each individual purchase transaction;*
4. *to authorise the Board of Directors so that, pursuant to and for the purposes of article 2357-ter of the Italian Civil Code, it is able to dispose, at any time, in whole or in part, in one or more occasions, of the treasury shares purchased by virtue of the authorisation set in point 2 above through the disposal thereof inside or outside the stock exchange, also for the purpose of possible acquisitions and/or the development of alliances in accordance with the strategic policies of the Italmobiliare group, or as part of any future distribution of dividends or reserves, including in kind, or as part of management and employee incentive plans, or to intervene, in compliance with the applicable provisions, directly, or through intermediaries, to contain abnormal changes in share price and to regularise the course of trading and share price changes, when faced with momentary distorting phenomena linked to excess volatility or low trading liquidity, according to the terms, arrangements and conditions of the act of disposal of the own shares deemed to be most opportune in the interests of the Company, it remaining the case that the unit sale price (or, in any event, the unit value established in the disposal transaction) may in no case be lower than the average carrying price of the shares purchased on the basis of the authorisation, (it also remaining the case that this limit shall not be applicable if the shares should be allocated to employees of Italmobiliare S.p.A. and its subsidiaries, parent companies or other companies controlled by these latter companies, or to members of the Board of Directors of Italmobiliare S.p.A. who hold particular offices in conformity with the founding document, or who have specific operational positions, within the context of the share-based incentive plans for employees and directors - "stock options", as well as in the case of use of the own shares in the context of any extraordinary financial transactions or other uses deemed to be in the financial, operational and/or strategic interests of the Company). The authorisation pursuant to this point 4) is granted without time limits;*

5. *to ensure, pursuant to the law, that the purchases referred to in this authorisation are contained within the limits of the profits available for distribution plus the available reserves reported in the last set of financial statements (or interim accounts) approved at the moment the purchase is completed;*
6. *to confer a mandate the Board of Directors to arrange for the appropriate accounts postings to be made, following the transactions to purchase or dispose of the Company's own shares, in accordance with the provisions of law and the accounting principles applicable at the time;*
7. to confer a mandate on the Chairman, the Deputy Chairman and the temporary Chief Executive Officer, with the right to subdelegate to ensure, also separately and through agents, the execution of the transactions that are the object of this resolution."

Milan, 6 March 2018

On behalf of the Board of Directors
Chief Executive Officer
Carlo Pesenti

Explanatory report by the Board of Directors on the resignation of a Director

Dear Shareholders,

Following the appointment of the new Board of Directors during the Shareholders' Meeting held on 19 April 2017, on 13 June 2017 the Company received the resignation of Director Livia Pomodoro.
Following this resignation, the Board of Directors co-opted Prof. Elsa Maria Olga Fornero as an Independent Director. The appointment took place in compliance with provisions of law and the by-laws on the requirements of Directors and the composition of the Board of Directors.
Pursuant to the law and the by-laws, the co-opted Director shall hold office until the following Shareholders' Meeting. Therefore, the Shareholders are asked to confirm or replace the co-opted Director with the majorities established by law.
In this regard, please note that, pursuant to the law and the by-laws:

I. The Shareholders' Meeting resolves upon the replacement of Directors with a relative majority of the share capital represented at the Shareholders' Meeting and in compliance with regulations on force on gender balance;
II. on the basis of the current composition of the Board of Directors, the Director appointed by the Shareholders' Meeting must be a woman;
III. the current composition of the Board of Directors already ensures compliance with the requirements laid out by law, the by-laws and the code of conduct on independent Directors.

The Board of Directors proposes the confirmation of Prof. Elsa Maria Olga Fornero as an Independent Director until the end of the term of office of the Board of Directors in office, with the compensation approved by the Shareholders' Meeting on 19 April 2017.
The CV of Prof. Elsa Maria Olga Fornero is annexed to this document, and the Shareholders' Meeting is presented with the following proposed resolution.

"*The Italmobiliare S.p.A. Shareholders' Meeting, having examined the report of the Board of Directors*

Resolves

- *to appoint Elsa Maria Olga Fornero, born in San Carlo Canavese (TO) on 7 May 1948, as a Director of the Board until the end of the term of office of the current Board of Directors;*

- *to establish that her compensation as Board Director shall be equal to that approved for the other members of the Board of Directors by the Shareholders' Meeting on 19 April 2017*".

Milan, 6 March 2018

For the Board of Directors
The Chief Executive Officer
Carlo Pesenti

Elsa Fornero

Born in San Carlo Canavese (Turin), May 7, 1948.

She holds the Chair of Economics at the University of Turin, as well as academic positions as Scientific Coordinator at CeRP (the Center for Research on Pensions and Welfare Policies, which she founded in 1999), Honorary Senior Fellow of the Collegio Carlo Alberto, Vice-President of Share-Eric (Survey of Health, Ageing and Retirement in Europe), Research Fellow at Netspar, and Policy Fellow at the IZA Institute for the Study of Labour. She is also a member of the Scientific Council of the Observatoire de l'Epargne Européenne, the Advisory Group of the New Pact for Europe and the Research Committee of the OECD International Network on Financial Education.

From November 2011 to April 2013 she served as Minister of Labour, Social Policies and Equal Opportunities in Italy's "technocratic" government, in which capacity she conceived and drafted the pension and labour market reforms Fornero is also the author of many publications on public and private pension systems, pension reforms, population ageing, household saving, retirement choices and life insurance. Her recent writings have been influenced by her experience in policy making.

Italmobiliare S.p.A.
Separate financial statements
as at and for the year ended December 31, 2017

Financial statements

Statement of financial position

(euro)	Note	12.31.2017	12.31.2016	Change
Non-current assets				
Property, plant and equipment	1	4,070,807	3,669,266	401,541
Investment property	2	15,084,019	15,559,427	(475,408)
Intangible assets	3	9,737	18,449	(8,712)
Equity investments in subsidiaries and associates	4	289,120,520	279,126,091	9,994,429
Other equity investments	5	599,767,220	626,774,759	(27,007,539)
Deferred tax assets	6	10,883,147	11,059,958	(176,811)
Other non-current assets	7	108,103,718	90,283,292	17,820,426
Total non-current assets		**1,027,039,168**	**1,026,491,242**	**547,926**
Current assets				
Trade receivables	8	2,383,416	262,312	2,121,104
Other current assets including derivatives	9	11,664,309	9,058,829	2,605,480
Tax assets	10	2,679,061	696,182	1,982,879
Equity investments, bonds and loan assets	11	88,325,352	155,452,048	(67,126,696)
Cash and cash equivalents	12	192,013,349	146,830,430	45,182,919
Total current assets		**297,065,487**	**312,299,801**	**(15,234,314)**
Assets held for sale	4	**-**		
Total assets		**1,324,104,655**	**1,338,791,043**	**(14,686,388)**
Equity				
Share capital	13	100,166,937	100,166,937	-
Share premium	14	177,191,252	177,191,252	-
Reserves	14	180,463,053	125,867,518	54,595,535
Treasury shares	15	(134,607,934)	(34,567,876)	(100,040,058)
Retained earnings	16	928,871,270	849,754,136	79,117,134
Total equity		**1,252,084,578**	**1,218,411,967**	**33,672,611**
Non-current liabilities				
Financial liabilities	18	-	7,112,280	(7,112,280)
Employee benefits	17	795,853	1,166,607	(370,754)
Provisions	19	33,878,519	51,920,000	(18,041,481)
Other non-current liabilities	20	3,199,395	1,000,632	2,198,763
Deferred tax liabilities	21	11,425,367	31,016,610	(19,591,243)
Total non-current liabilities		**49,299,134**	**92,216,129**	**(42,916,995)**
Current liabilities				
Bank loans and borrowings	18	345,596	-	345,596
Financial liabilities	18	7,595,150	407,741	7,187,409
Trade payables	22	5,462,290	2,287,719	3,174,571
Provisions		-	-	-
Tax liabilities		-	1,988,533	(1,988,533)
Other current liabilities	23	9,317,907	23,478,954	(14,161,047)
Total current liabilities		**22,720,943**	**28,162,947**	**(5,442,004)**
Total liabilities		**72,020,077**	**120,379,076**	**(48,358,999)**
Liabilities held for sale	4	-	-	-
Total equity and liabilities		**1,324,104,655**	**1,338,791,043**	**(14,686,388)**

Pursuant to Consob Resolution no. 15519 of July 27, 2006, the effects of transactions with related parties on the statement of financial position, the income statement and the statement of cash flows are set out in the relevant annexes.

Income statement

(euro)	Note	2017	%	2016	%	Change amount	%
Revenue		42,179,414		21,296,130		20,883,284	
Income from equity investments		101,269,597		762,999,058		(661,729,461)	
Income from distribution to shareholders		-		71,769,173		(71,769,173)	
Total revenue and income	24	**143,449,011**	**100.0**	**856,064,361**	**100.0**	**(712,615,350)**	**-83.2**
Other revenue	25	1,972,098		846,096		1,126,002	
Raw materials and supplies	26	(159,684)		(118,421)		(41,263)	
Services	27	(6,088,647)		(12,394,532)		6,305,885	
Personnel expenses	28	(18,614,869)		(28,046,624)		9,431,755	
Other operating expense	29	(15,390,487)		(25,209,182)		9,818,695	
Gross operating profit		**105,167,422**	**73.3**	**791,141,698**	**92.4**	**(685,974,276)**	**-86.7**
Amortization and depreciation	30	(546,037)		(300,196)		(245,841)	
Operating profit		**104,621,385**	**72.9**	**790,841,502**	**92.4**	**(686,220,117)**	**-86.8**
Net finance costs	31	(1,189,153)		(45,811)		(1,143,342)	
Impairment losses on financial assets	32	(21,024)		(19,535,535)		19,514,511	
Profit before tax		**103,411,208**	**72.1**	**771,260,156**	**90.1**	**(667,848,948)**	**-86.6**
Income tax expense	33	(1,294,612)		(11,431,412)		10,136,800	
Profit for the year		**102,116,596**	**71.2**	**759,828,744**	**88.8**	**(657,712,148)**	**-86.6**

Statement of comprehensive income

(euro)	Note	2017	2016	Change amount	%
Profit for the year		**102,116,596**	**759,828,744**	**(657,712,148)**	**-86.6**
Items that will not be reclassified to profit or loss subsequently					
Re-measurement of the net liability/asset for employee benefits		332,599	47,920	284,679	
Total items that will not be reclassified to profit or loss subsequently		**332,599**	**47,920**	**284,679**	
Items that might be reclassified to profit or loss subsequently					
Fair value gains (losses) on:					
Available-for-sale financial assets	5	35,004,291	93,922,999	(58,918,708)	
Income tax on other comprehensive income		19,591,244	(25,936,510)	45,527,754	
Total items that might be reclassified to profit or loss subsequently		**54,595,535**	**67,986,489**	**(13,390,954)**	
Total other comprehensive income		**54,928,134**	**68,034,409**	**(13,106,275)**	
TOTAL COMPREHENSIVE INCOME		**157,044,730**	**827,863,153**	**(670,818,423)**	**-81.0**

Statement of changes in equity

(euro)	Share capital	Reserves: Share premium	Reserves: AFS fair value reserve	Reserves: Other reserves	Reserves: Total reserves	Treasury shares	Retained earnings	**Total equity**
Balances at December 31, 2015	**100,166,937**	**177,191,252**	**45,827,133**	**12,053,896**	**235,072,281**	**(20,792,335)**	**630,494,889**	**944,941,772**
Profit for the year							759,828,744	**759,828,744**
Total other comprehensive income			67,986,489		67,986,489		47,920	68,034,409
Distribution of earnings:								
Dividends							(16,330,137)	(16,330,137)
Special dividend to savings shareholders							(523,932,020)	(523,932,020)
Purchase of treasury shares						(14,848,975)		(14,848,975)
Other changes						1,073,434	(355,260)	718,174
Balances at December 31, 2016	**100,166,937**	**177,191,252**	**113,813,622**	**12,053,896**	**303,058,770**	**(34,567,876)**	**849,754,136**	**1,218,411,967**
Profit for the year							102,116,596	102,116,596
Total other comprehensive income			54,595,535		54,595,535		332,599	54,928,134
Distribution of earnings:								
Dividends							(22,960,151)	(22,960,151)
Purchase of treasury shares						(101,186,445)		(101,186,445)
Other changes						1,146,387	(371,910)	774,477
Balances at December 31, 2017	**100,166,937**	**177,191,252**	**168,409,157**	**12,053,896**	**357,654,305**	**(134,607,934)**	**928,871,270**	**1,252,084,578**

Statement of cash flows

(in thousands of euro)	Note	2017	2016
A) Cash flow from (used in) operating activities:			
Profit before tax		103,411	771,260
Amortization, depreciation and impairment losses		546	300
Net losses from the sale of securities, equity investments and PPE		(100,546)	(832,254)
Change in employee benefits and other provisions		(20,212)	41,781
Stock options		-	-
Reversal of impairment losses on financial assets		21	19,533
Reversal of net finance income/costs		(29,728)	1,448
Cash flow from (used in) operating activities before tax, finance income/costs and change in working capital		**(46,508)**	**2,068**
Change in trade receivables		(2,121)	9,242
Change in trade payables		3,175	(2,263)
Change in other receivables/payables, prepayments and accrued income, accrued expense and deferred income		(4,548)	(2,994)
Total change in working capital		**(3,494)**	**3,985**
Net finance costs paid		517	(7,943)
Dividends received		22,354	6,495
Net tax paid/refunds		387	582.00
Total A)		**(26,744)**	**5,187**
B) Cash flow from (used in) investing activities:			
Capital expenditure:			
PPE and investment property		(464)	(15,722)
Intangible assets		-	(9)
Financial assets (equity investments)		(130,946)	(541,693)
Change in payables for equity investment acquisitions		-	-
Total capital expenditure		**(131,410)**	**(557,424)**
Change in receivables from sale of non-current financial assets		-	-
Gains on sales of non-current assets		262,779	1,218,460
Total sales		**262,779**	**1,218,460**
Total B)		**131,369**	**661,036**
C) Cash flow from (used in) financing activities:			
Change in financial liabilities		(6,221)	(208,181)
Change in financial assets		29,665	(6,624)
Change in current equity investments		40,181	(148,658)
Change in treasury shares		(100,107)	(14,130)
Dividends paid		(22,960)	(143,245)
Total C)		**(59,442)**	**(520,838)**
D) Cash flows for the year (A+B+C)		**45,183**	**145,385**
E) Cash and cash equivalents at beginning of year		**146,830**	**1,445**
D+E) Cash and cash equivalents at end of year	**12**	**192,013**	**146,830**

Notes

The draft financial statements of Italmobiliare S.p.A. as at and for the year ended December 31, 2017 were approved by the Board of Directors on March 6, 2018. At the meeting, the Board authorized publication of a press release dated March 6, 2018, containing key information from the financial statements.
As required by IAS 10, attention is drawn to the fact that these financial statements may be amended by the shareholders meeting.
The financial statements have been drawn up on a going-concern basis. Despite the difficult economic and financial situation, Italmobiliare has no material uncertainties about its going-concern status, in part by virtue of its creditworthiness and solid financial structure.

Core businesses

Italmobiliare S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy and listed on the Milan Stock Exchange since 1980. Its core business is the acquisition and management of equity investments in subsidiaries, associates or other companies.
Within this context, the company may conduct financial, commercial, industrial and services transactions that it deems necessary and appropriate to achieve its corporate purposes.
The company also provides subsidiaries with administrative and technical services.

Accounting policies

These separate financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2017 as endorsed by the European Union, and with the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. The term IFRS also includes all revised international accounting standards (IAS) and all the interpretations issued by the IFRIC/SIC.
The Italian laws that enact EU Directive 2013/34 also apply, where compatible, to companies that draw up financial statements in accordance with the IFRS. Consequently, these separate financial statements are compliant with the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (TUF, *Testo Unico della Finanza*) for listed companies with regard to the directors' report, the legally-required audit and the publication of the separate financial statements. The separate financial statements and related notes also set out the details and additional disclosures required under the articles of the Italian Civil Code governing financial statements, since such requirements are not in conflict with the IFRS, and under other Consob regulations and dispositions governing financial statements.
In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through to December 31, 2017, but not yet endorsed by the European Union at that date.

Standards and interpretations that came into force in 2017

Since January 1, 2017, the Group has adopted the amendments described below, including the amendments arising therefrom applied to other standards:

- Amendments to IAS 7 "Disclosure initiative";
- Amendments to IAS 12 "Recognition of deferred tax assets for unrealized losses".

Standards and interpretations that have been issued and endorsed but are not yet in effect

- IFRS 9 “Financial instruments”;
- IFRS 15 “Revenue from contracts with customers”;
- IFRS 16 “Leases”;
- Amendments to IFRS 4 “Applying IFRS 9 financial instruments with IFRS 4 insurance contracts”;
- Clarifications of IFRS 15 “Revenue from contracts with customers”.

IFRS 9 uses a classification for financial instruments different to that currently used. Specifically, three categories are contemplated: measurement at amortized cost, measurement at fair value through profit or loss, measurement at fair value through other comprehensive income.

The company has completed its analysis of the business model with which financial instruments and their cash flow characteristics will be managed. It estimated the impact of the change in classification and measurement of financial assets. IFRS 9 will generate effects on all the companies in the Financial and private equity segment, particularly with regard to interests in private equity funds and financial instruments currently classified as available-for-sale.

The effects of adoption of the above standards at January 1, 2018 could change as a result of:

- changes to the company’s new information systems;
- changes that might be introduced in the measurement criteria before the presentation of the separate financial statements as at and for the year ending December 31, 2018.

The estimated total effect (net of tax) on the opening balance of the company’s equity at January 1, 2018 amounts to 508 thousand euro largely attributable largely to the different measurement criterion for bonds (amortized cost).

IFRS 15 is not expected to have material effects on the company separate financial statements since the greatest effects estimated last year related to the e-procurement sub-segment (BravoSolution group) which was sold in December 2017.

The new standard IFRS 16 “Leases” extends the accounting treatment used for finance leases also to operating leases, thereby in that it requires recognition of an asset representing the right to use the underlying leased asset and a liability reflecting the obligation to make lease payments. The company has not elected early adoption and expects the standard to have an effect on most of the consolidated companies, given the large number of existing lease contracts and operating leases. The impact is expected to be more significant in the Industrial and services for industry segment and less significant in the Financial and private equity segment. Italmobiliare S.p.A. is completing its analysis of the impact of the new standard..

The other standards or amendments are not expected to have material effects on the Italmobiliare S.p.A. separate financial statements.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2017, but not yet endorsed by the European Union at that date

- IFRS 17 “Insurance contracts” issued in May 2017, a complete new standard relating to insurance contracts, which covers measurement and recognition, presentation and disclosure.
- IFRIC 22 “Foreign currency transactions and advance consideration” issued in December 2016.
- IFRIC 23 “Uncertainty over income tax treatments” issued in June 2017.
- Amendments to IFRS 2 “Classification and measurement of share-based payment transactions”, issued in June 2016.
- Annual improvements cycle to IFRS 2014-2016 issued in December 2016.
- Annual improvements cycle to IFRS 2015-2017 issued in December 2017.
- Amendments to IAS 40 “Transfer of investment property” issued in December 2016.
- Amendments to IFRS 9 “Prepayment features with negative compensation” issued in October 2017.
- Amendments to IAS 28 “Long-term interest in associates and joint ventures” issued in October 2017.
- Amendments to IFRS 10 and IAS 28 with the title “Sale or contribution of assets between an investor and its associate or joint venture”.
- IFRS 14 “Regulatory deferral accounts”, for which the European Commission has not yet begun the approval process, pending issue of the definitive standard.

The above standards or amendments are not expected to have material impacts on the separate financial statements.

Measurement criteria and basis of presentation

The separate financial statements adopt the cost principle, with the exception of derivatives and financial assets held for trading or available for sale, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The financial statements are presented in euro. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.

The basis of presentation of the Italmobiliare S.p.A. separate financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the company intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the company expects to settle during the normal business cycle or in the twelve months after the reporting period;
- on the income statement, costs are analyzed by nature;
- with regard to comprehensive income, the company presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the year, while the second statement, beginning with the profit (loss) for the year, presents other comprehensive income (expense), previously reflected only in the statement of changes in equity: fair value gains/losses on available-for-sale financial assets and derivatives, translation differences. Items that might subsequently be reclassified to profit or loss are presented separately from those that will not be reclassified;
- on the statement of cash flows, the indirect method is used.

Use of estimates

The preparation of the separate financial statements and the notes in conformity with the IFRS requires management to make estimates that affect the values of assets, liabilities, income and expense, such as amortization and depreciation, and the disclosures on contingent assets and liabilities in the notes.
Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present climate of financial and economic uncertainty, which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including of a material nature, to the carrying amounts of the items in question.
Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depends on forecasts of future results and cash flows, measurement of contingent liabilities and provisions for disputes. Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.
Since the Italmobiliare Group applies IAS 34 "Interim financial reporting" to its interim reports, with consequent identification of a six-month interim period, any impairment losses are recorded at period end.

Subsidiaries and associates

Subsidiaries are companies in which the company is exposed to variable returns, or holds rights to such returns, by virtue of its relationship with the companies in question, and simultaneously has the ability to affect such returns by exercising its power.
The company ascertains the existence of control on the basis of the existence of three elements:

- power: the current ability of the company, arising from substantial rights, to determine the key operations of operations that have a material impact on the company's returns;
- the exposure of the company to the variability of the returns of the investee;
- correlation between power and returns, the company has the ability to exercise its power to affect the returns arising from the relationship.

Generally speaking, control is assumed to exist when the company holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities.

Associates are companies in which the company has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the company holds, directly or indirectly, at least 20% of voting rights at ordinary shareholders' meetings, or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders' agreements or other forms of material exercise of governance rights.

Investments in subsidiaries and associates are measured using the cost method, whereby they are initially recognized at cost and subsequently adjusted to reflect changes in value whenever, after impairment testing, conditions are found such as to make it necessary to adjust the carrying amount to the effective value of the investment. Original cost is restored in subsequent periods if the grounds for the adjustments no longer exist. Impairment losses and reversals of impairment losses are recognized in the income statement.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the company elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.
Until December 31, 2009, business combinations were accounted for using the purchase method provided for by IFRS 3.
Since January 1, 2010, business combinations have been accounted for using the acquisition method provided for by IFRS 3 revised.

Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their non-controlling interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:

- the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquired entity, and
- the net amount of identifiable assets acquired and liabilities assumed at the acquisition date.

Negative differences are recognized immediately in profit or loss.
If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

Transactions in currencies other than the functional currency

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the reporting date, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to profit or loss.
Non-monetary foreign currency assets and liabilities measured at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2005, reflects revaluations applied in prior years in connection with specific local laws, based on the real economic value of the assets in question. The revalued amount recognized in accordance with IFRS 1 was assumed as cost at the IFRS transition date.
Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted where necessary within the following twelve months.
Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the carrying amount of the replaced component is eliminated with a balancing entry as income.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of property, plant and equipment assets. Land is recognized separately from buildings erected on it and is not depreciated.
An asset useful life determines the depreciation rate until a subsequent review of its residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

Leases

The company has no finance leases.
The company leases are operating leases, where all risks and rewards incidental to ownership are retained by the lessor.
Operating lease payments are recognized as expense on a straight-line basis over the lease term.

Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of services. Investment property is initially recognized at purchase cost, including directly attributable costs. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

Intangible assets

Intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are recognized at fair value estimated on a provisional basis at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over their useful life, less any impairment losses.
The company has not identified intangible assets with an indefinite useful life.

Impairment

Property, plant and equipment, investment property and amortizable intangible assets, are tested for impairment if indications of impairment emerge.
Investments in subsidiaries and associates are tested for impairment if indications of impairment emerge.
Impairment is the difference between the asset carrying amount and its recoverable amount.
Recoverable amount is the greater of fair value, less costs to sell, of an asset and its value in use, determined as the present value of future cash flows.
Fair value less costs to sell is determined through application of suitable valuation models, adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.

The discount rate is determined using the weighted average cost of capital method (WACC).

Reversals of impairment losses

If an impairment loss on an asset subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to profit or loss.

Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase with the exception of financial assets held for trading (fair value through profit or loss).
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to profit or loss.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale, under current and non-current assets, and recognized at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to profit or loss. Impairment losses are recognized when there is objective evidence that one or more events subsequent to initial recognition of an asset have had a negative effect on the estimated future cash flows of that asset. For a financial asset, objective evidence of impairment includes debtor insolvency or default, indications of debtor or issuer bankruptcy, adverse changes in the payment status of debtors or issuers, business conditions linked to default or disappearance of an active market for the asset. In addition, for equity instruments classified as available-for-sale, a material and prolonged reduction in fair value to below cost is considered objective evidence of impairment. On this question, Italmobiliare S.p.A. has adopted a specific accounting policy, which establishes materiality and duration thresholds for loss of stock market value with respect to the carrying amounts; once such

thresholds have been reached, the impairment loss is taken to profit or loss. During 2017, after an analysis of historical market volatility, the thresholds used were reviewed and reduced. The two thresholds are considered separately and only one threshold needs to be reached for an impairment loss to be recognized:

- loss of market value of more than 45% for bank stocks (30% for non-bank stocks) of the original cost at the reporting date;
- a market value seen to be continually lower than original cost over a period of 24 months for bank stocks (18 months for non-bank stocks).

With regard to assets on which impairment losses were recognized in previous periods, additional reductions in value are automatically recognized as impairment losses.
Subsequent reversals of impairment losses on available-for-sale assets recognized in profit or loss are not taken to profit or loss but to equity, even in cases where the reasons that caused the loss no longer exist.
Only equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

Treasury shares

Treasury shares are deducted against equity. The original cost of treasury shares and gains arising from any subsequent sales are treated as movements in equity.

Trade receivables and other non-current assets

Trade receivables and other non-current assets are initially recognized at fair value, and subsequently measured at amortized cost less allowances for impairment, which are provided as bad debts are identified.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, checks, bank demand deposits and other cash investments with original maturity of not more than three months.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

Derecognition of financial assets

The company derecognizes financial assets in whole or in part when:

- the contractual rights attributable to the assets in question have expired;
- it transfers the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets.

Employee benefits

The company operates pension plans, post-employment medical benefit plans and post-employment benefits.
It also has other commitments, in the form of bonuses payable to employees on the basis of length of service ("Other long-term benefits").

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the company pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and recognized as an expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the company. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the company uses the unit credit projection method to determine the present value of obligations and the related current service cost.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

Employment termination plans

Employment termination plans include provisions for restructuring costs recognized when the company has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive years or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the year.

Actuarial gains and losses are recognized immediately under other comprehensive income (expense).
Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to early retirement benefits are recognized in profit or loss immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in profit or loss, as are costs for benefits that vest immediately upon changes to a plan.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance costs
Net finance costs on defined benefit plans consist of the following measurements:

- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance costs are determined by applying to all the above items the discount rate adopted at the beginning of the year to measure the defined benefit plan obligation.
Net finance costs on defined benefit plans are recognized under finance income/costs on the income statement.

Share-based payments

The company has applied IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by the company to employees and directors give rise to recognition of a cost classified under personnel expenses, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value at the grant date is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for extraordinary events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Provisions

The company recognizes provisions when a present or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation.
Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the reporting date. If the present value of the financial resources that will be used is measurable and material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized as financial items.
Changes in estimates are recognized in profit or loss for the year in which the change occurs.

Bank loans and borrowings

Bank loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, bank loans and borrowings are measured at amortized cost using the effective interest-rate method.

Trade payables and other payables

Trade payables and other payables are stated initially at the fair value of the original consideration received and subsequently measured at amortized cost.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the company and the amount in question can be reliably determined.
Revenue is recognized at the fair value of the consideration received or due, taking account of any discounts given.
Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.
Revenue includes dividends received, and interest and commission income.
Dividends are recognized as shareholders' right to receive payment arises, in accordance with local laws.

Rental income

Rental income is recognized as other revenue, as received, at constant amounts over the period of the lease.

Costs

Costs are recognized on an accruals basis in accordance with the cost and revenue matching principle, whereby they are matched with revenue.

Derivatives

The company uses derivatives such as options on securities and futures to manage market risks. Derivatives are measured and recognized at fair value; fair value gains or losses are taken to profit or loss, since the derivatives in question do not qualify for hedge accounting, even though they are arranged in some cases for hedging purposes.

Income taxes

Current income taxes are provided in accordance with local tax laws.
Deferred tax is recognized on the basis of temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which such differences, losses or credits may be reversed.
Deferred tax assets are reviewed at each reporting date and reduced to the extent that sufficient taxable profit is no longer likely to be available in the future against which the assets can be used in full or in part.
Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the reporting date.
Taxes relating to items recognized directly in equity are recognized directly in equity, not in profit or loss.

Assets

Non-current assets

1) Property, plant and equipment

At December 31, 2017 and at December 31, 2016, property, plant and equipment totaled respectively 4,071 thousand euro and 3,670 thousand euro; the movements on the caption are set out below:

(in thousands of euro)	Land and buildings	Plant and machinery	Office furniture and equipment	Motor vehicles	Total
Gross amount	4,425	636	958	79	6,098
Accumulated depreciation	(967)	(551)	(873)	(37)	(2,428)
Carrying amount at December 31, 2016	**3,458**	**85**	**85**	**42**	**3,670**
Additions	236		228		464
Decreases			(1)	(2)	(3)
Depreciation		(27)	(16)	(19)	(62)
Use of accumulated depreciation				2	2
Carrying amount at December 31, 2017	**3,694**	**58**	**296**	**23**	**4,071**
Gross amount	4,661	636	1,185	77	6,559
Accumulated depreciation	(967)	(578)	(889)	(54)	(2,488)
Carrying amount at December 31, 2017	**3,694**	**58**	**296**	**23**	**4,071**

The useful lives adopted by the company for the main asset categories are as follows:
- Plant and machinery 5 – 10 years
- Other property, plant and equipment 4 – 8 years

2) Investment property

Investment property of 15,084 thousand euro (15,559 thousand euro at December 31, 2016) is measured at cost. The fair value of investment property at December 31, 2017 was 16.7 million euro and was determined on the basis of appraisals by independent experts.

(in thousands of euro)	Investment property
Gross amount	15,847
Accumulated depreciation	(288)
Carrying amount at December 31, 2016	**15,559**
Additions	-
Decreases	-
Depreciation	(475)
Carrying amount at December 31, 2017	**15,084**
Gross amount	15,847
Accumulated depreciation	(763)
Carrying amount at December 31, 2017	**15,084**

Investment property is depreciated at an annual rate of 3%, which reflects its residual useful life.

3) Intangible assets

Intangible assets consist of investments in administrative software applications.

(in thousands of euro)	Licenses and various rights	Total
Gross amount	264	264
Accumulated amortization	(246)	(246)
Carrying amount at December 31, 2016	**18**	**18**
Additions	-	-
Decreases		
Amortization	(8)	(8)
Carrying amount at December 31, 2017	**10**	**10**
Gross amount	264	264
Accumulated amortization	(254)	(254)
Carrying amount at December 31, 2017	**10**	**10**

4) Investments in subsidiaries and associates

See the specific IFRS 7 section.

5) Other equity investments

See the specific IFRS 7 section.

6) Deferred tax assets

Deferred tax assets amounted to 10,883 thousand euro (11,060 thousand euro at December 31, 2016) and consisted of amounts calculated on the tax losses posted by Italmobiliare S.p.A. and the subsidiaries that adopted the Italian tax consolidation system. The assets were recognized in relation to a forecast made by the companies that adopted the Italian tax consolidation system, which considers likely that in future years taxable profit will be realized against which the past tax losses can be utilized.

The main temporary differences excluded from the determination of deferred tax assets and liabilities relate to provisions for disputes (20.2 thousand euro in 2017, 35.4 thousand euro in 2016).

Deferred tax assets on temporary differences have not been recorded since it is not expected that the existing provisions can be reversed over a reasonably predictable timeframe.

Tax losses for which deferred tax assets have not been recorded amounted to 49.6 million euro.

7) Other non-current assets

See the specific IFRS 7 section.

Current assets

8) Trade receivables
See the specific IFRS 7 section.

9) Other current assets including derivatives
The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Amounts due from employees	1	8	(7)
Amounts due from social security authorities	51	261	(210)
Amounts due for dividends	5	-	5
Derivatives on initial margin requirements	226	-	226
Other current amounts due	1,826	883	943
Options on securities	2,601	7,793	(5,192)
Amounts due from Sciquest securing Bravosolution S.p.A. sale	6,901	-	6,901
Other prepaid expenses	-	99	(99)
Accrued income v/others	53	15	38
Total	**11,664**	**9,059**	**2,605**

The increase arose largely from the extension of payment terms granted to Sciquest in connection with the sale of BravoSolution S.p.A. (+6,901 thousand euro), offset in part by the reduction in options on securities (-5,192 thousand euro).

10) Tax assets
Tax assets totaled 2,680 thousand euro (696 thousand euro at December 31, 2016). The increase arose largely from the Italgen S.p.A. tax credits added to the tax consolidation.

11) Equity investments, bonds and loan assets
See the specific IFRS 7 section.

12) Cash and cash equivalents
See the specific IFRS 7 section.

Equity and liabilities

Share capital, reserves and retained earnings

13) Share capital

At December 31, 2017, the parent's fully paid-up share capital amounted to 100,166,937 euro represented by 47,633,800 no par ordinary shares, after execution of the 1:2 stock split assigning two ordinary shares to each ordinary share, as approved by the shareholders on April 19, 2017.

Number of shares	December 31, 2017	December 31, 2016	Change
Ordinary shares	47,633,800	23,816,900	23,816,900
Total	**47,633,800**	**23,816,900**	**23,816,900**

14) Share premium and other reserves

At December 31, 2017, reserves totaled 357,654 thousand euro, an overall increase of 54,595 thousand euro from December 31, 2016 generated by a rise in available-for-sale financial assets, net of the impact of deferred tax.

15) Treasury shares

At December 31, 2017, the cost of treasury share buy-backs totaled 134,608 thousand euro (34,568 thousand euro at December 31, 2016), deducted against equity. Treasury shares were as follows:

	No. ordinary shares	Carrying amount (000 euro)
December 31, 2016	**874,014**	**34,568**
Sales	(25,995)	(1,028)
Stock split	848,018	-
Purchases	3,999,833	101,186
Sales	(5,000)	(118)
December 31, 2017	**5,690,870**	**134,608**

The increase arose from the stock split described above, the uptake of the voluntary public tender offer and the exercise of stock options by employees.

A total of 614,100 ordinary treasury shares were held in portfolio at December 31, 2017, to service stock option plans for directors and managers.

Dividends paid

Ordinary dividends declared and paid in 2017 and 2016 are detailed in the table below:

	2017 (euro per share)	2016 (euro per share)	December 31, 2017 (000 euro)	December 31, 2016 (000 euro)
Ordinary shares	1.000	0.400	22,960	8,532
Savings shares		0.478	-	7,799
Total dividends			**22,960**	**16,331**

16) Retained earnings

The overall change of 79,118 thousand euro arose from the 2017 profit for the year for 102,117 thousand euro, from the adjustment of assets/liabilities for employee benefits for 333 thousand euro, from the sale of treasury shares on exercise of stock options for 372 thousand euro, and from the payment of ordinary dividends for 22,960 thousand euro.

Non-current liabilities

17) Employee benefits

This caption includes post-employment benefits in accordance with IAS 19 and liabilities relating to future commitments, in the form of bonuses or incentives, to be paid to employees.

Movements on the caption are detailed below:

(in thousands of euro)	Post-employment benefits	Long-service bonus	Total
At December 31, 2016	1,065	101	**1,166**
Utilization during year	(158)	-	**(158)**
Provision for year	(227)	15	**(212)**
At December 31, 2017	**680**	**116**	**796**

Expense for the year included:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Current cost of services	(56)	(53)	(3)
Finance costs	(16)	(23)	7
Total	**(72)**	**(76)**	**4**

The assumptions used to determine liabilities arising from long-term benefits are set out below:

	Provision for post-employment benefits	Other employee benefits
Discount rate	1.75%	1.75%
Future wage and salary increases	2.81%	2.81%
Inflation	1.40%	1.40%

Stock options

The company has arranged stock option plans for directors and managers who hold special posts.
Stock options refer to ordinary shares; the characteristics of stock option plans are illustrated in the directors' report, in the sections on Corporate Governance and Stock Option Plans.
Stock options are exercised at a rate of one share per option.

The terms and conditions of Italmobiliare S.p.A. stock option plans at December 31, 2017, are set out below:

Grant date	No. of options granted *	Exercise period	Exercised options	Canceled options	Unexercised options	Unit subscription price *
March 28, 2008	248,400	03/28/2011-03/27/2018			248,400	€ 29.9540
March 25, 2009	38,700	03/25/2012-03/24/2019	25,800		12,900	€ 10.2630
March 24, 2010	248,770	03/24/2013-03/23/2020	62,270		186,500	€ 14.4170
March 30, 2011	225,800	03/30/2014-03/30/2021	59,500		166,300	€ 13.7345
Total	**761,670**		**147,570**	**-**	**614,100**	

* After the stock split, the number of options granted doubled and the unit subscription price halved

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The table below sets out the number and average exercise price of stock options in the years in question:

	12.31.2017		12.31.2016	
(in thousands of euro)	Number of options	Average sub-scription price	Number of options	Average sub-scription price
Unexercised options at beginning of year	**916,048**	**€ 25.7239**	**595,044**	**€ 53.4390**
Granted during year				
Canceled during year				
Exercised during year	(56,990)		(27,140)	
Expired during year	(244,958)		(109,880)	
Unexercised options at end of year	**614,100**	**€ 21.0642**	**458,024**	**€ 51.4477**
Vested options at end of year	**614,100**		**458,024**	

The average ordinary share price in 2017 was 23.787 euro (39.207 euro in 2016).
The average residual life of unexercised options is 11 months.
The option exercise price at December 31, 2017 was between 10.2630 euro and 29.9540 euro.
Only options granted after November 7, 2002, that had not vested at December 31, 2003, were measured and recognized at the date of transition to the IFRS.

Stock option plan fair value at the grant date is estimated using a binomial model that takes dividends into account. The total option term is ten years. Volatility projections assume that past volatility, computed as the annual average on a past period of three years net of extraordinary events, is indicative of future trends.

The following table sets out the assumptions used and results obtained in measuring stock options relating to the last four plans among those that are still exercisable:

	2010 Plan	2009 Plan	2008 Plan	2007 Plan
Option value at grant date	8.813	9.28	3.78	17.21
Option value after public tender voluntary offer	4.4065	4.64	1.89	8.605
Share value	28.4	31.1	21.59	65.1
Share value after public tender voluntary offer	14.2	15.55	10.795	32.55
Exercise price	27.469	28.834	20.526	59.908
Exercise price after public tender voluntary offer	13.7345	14.417	10.263	29.954
Volatility in %	26.2%	24.3%	25.0%	17.5%
Option term (years)	10	10	10	10
Dividends in %	3.01%	2.75%	7.41%	2.23%
10-year BTP risk-free rate	4.775%	3.920%	4.485%	3.889%

18) Financial liabilities
See the specific IFRS 7 section.

19) Provisions
Provisions amounted to 33,878 thousand euro at December 31, 2017. The change of 18,042 thousand euro with respect to December 31, 2016 arose from an increase of 2,136 thousand euro in the provision for risks relating to contractual and tax disputes on which a future outlay is deemed probable, and from a decrease of 20,187 thousand euro for uses on a HeidelbergCement AG dispute and for tax disputes.

(in thousands of euro)	Opening amount	Additions	Decreases	Closing amount
Provisions	51,920	2,136	20,178	33,878

20) Other non-current liabilities
The increase of 2,200 thousand euro chiefly referred to the new three-year incentives plan for employees.

21) Deferred tax liabilities
Total deferred tax liabilities amounted to 11,425 thousand euro (31,017 thousand euro at December 31, 2016), as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Deferred tax - available-for-sale shares	1,695	28,163	(26,468)
Deferred tax - available-for-sale bonds	9,730	2,854	6,876
Total	**11,425**	**31,017**	**(19,592)**

The decrease arose largely as a result of the provision for deferred tax liabilities on the provision for HeidelbergCement AG equities reserve computed by applying the 24% tax rate at December 31, 2016 and the provision set aside at December 31, 2017 under the PEX (participation exemption), i.e., at 1.20%.

Current liabilities

22) Trade payables

See the specific IFRS 7 section.

23) Other current liabilities

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Due to employees	1,521	7,440	(5,919)
Due to social security authorities	613	907	(294)
Due to tax authorities	1,069	1,368	(299)
Accrued expenses and deferred income	177	222	(45)
Other liabilities	1,350	2,935	(1,585)
Tax consolidation liabilities v/subsidiaries for advance IRES payments	624	-	624
Options on securities	3,964	10,606	(6,642)
Total	**9,318**	**23,478**	**(14,160)**

The change arose chiefly as a result of non-recurring bonuses set aside in 2016 and the reduction in options on securities.

Commitments

(in thousands of euro)	December 31, 2017	December 31, 2016
Collateral given	-	-
Deposits, guarantees, sureties, commitments and other	168,066	202,100
Total	**168,066**	**202,100**

The decrease in guarantees provided with respect to December 31, 2016 was largely due to the closure of the letters of patronage issued on behalf of BravoSolution S.p.A., since BravoSolution S.p.A. was sold on December 28, 2017. The normal guarantees are provided on the sale of equity investments.

The Tecnica Group S.p.A. shares acquired during the year have been pledged as guarantees for bank loans granted to Tecnica Group S.p.A.

Total sureties provided are carried at fair value at the reporting date.

Income statement

24) Revenue and income

Revenue from sales and services and income totaled 143,449 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Revenue from dividends, interest income and services provided	42,180	21,296	20,884	98.1%
Income from equity investments	101,269	762,999	(661,730)	-86.7%
Income from distribution to shareholders	-	71,769	(71,769)	-100.0%
Total	**143,449**	**856,064**	**(712,615)**	**-83.2%**

The breakdown of the various items was as follows:

Revenue from dividends:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Subsidiaries				
Italgen S.p.A.	6,000	-	6,000	100.0%
Sirap Gema S.p.A.	2,000	-	2,000	100.0%
Total	**8,000**	**-**	**8,000**	**100.0%**
Associates				
Total				
Other companies				
Banca Popolare di Milano Soc.Coop a r.l.	-	321	(321)	-100.0%
Cairo Communication S.p.A.	10	-	10	100.0%
Coima S.p.A.	84	-	84	100.0%
Compagnia Fiduciaria Nazionale S.p.A.	-	130	(130)	-100.0%
Emittenti Titoli S.p.A.	27	1,576	(1,549)	-98.3%
Fin.Priv. S.r.l.	757	554	203	36.6%
Banca Leonardo S.p.A. group	174	114	60	52.6%
HeidelbergCement AG	9,185	-	9,185	100.0%
Mediobanca S.p.A.	3,862	2,989	873	29.2%
OVS S.p.A.	255	-	255	100.0%
Unicredit S.p.A.	-	811	(811)	-100.0%
Total	**14,354**	**6,495**	**7,859**	**n.s.**
Grand total	**22,354**	**6,495**	**15,859**	**n.s.**

n.s.= not significant

Revenue from interest income:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Interest and finance income from subsidiaries	30	17	13	76.5%
Interest and finance income from associates	77	-	77	100.0%
Interest and finance income from others	88	-	88	100.0%
Interest on securities and bonds	2,989	707	2,282	n.s.
Bank interest income	8	91	(83)	-91.2%
Commissions and other income	-	39	(39)	-100.0%
Options on securities	15,955	510	15,445	n.s.
Income from interest-rate hedging	67	-	67	100.0%
Income from futures	21	-	21	100.0%
Total	**19,235**	**1,364**	**17,871**	**n.s.**

n.s.= not significant

Revenue from services provided amounted to 591 thousand euro (13,437 thousand euro in 2016).

Capital gains on equity investments and securities:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
From sale of available-for-sale equity investments				
Ambienta Sgr S.p.A.	9	-	9	100.0%
Banco BPM	2	-	2	100.0%
BravoSolution S.p.A.	72,044	-	72,044	100.0%
Emittenti Titoli S.p.A.	2,389	-	2,389	100.0%
Mutual funds	357	-	357	100.0%
HeidelbergCement AG	20,434	-	20,434	100.0%
Italcementi S.p.A.	-	754,545	(754,545)	-100.0%
Intesa SanPaolo S.p.A.	-	625	(625)	-100.0%
Mediobanca S.p.A.	5,593	5,729	(136)	-2.4%
OVS S.p.A.	317	-	317	100.0%
RCS Mediagroup S.p.A.	-	364	(364)	-100.0%
Unicredit S.p.A.	-	1,599	(1,599)	-100.0%
Total	**101,145**	**762,862**	**(661,717)**	**-86.7%**
From fair value measurement of trading securities				
Mutual funds	121	137	(16)	-11.7%
Mittel fixed rate 6% 07/12/2019	3	-	3	100.0%
Total	**124**	**137**	**(13)**	**100.0%**
Grand total	**101,269**	**762,999**	**(661,730)**	**-86.7%**

25) Other revenue and income

Other revenue and income amounted to 1,972 thousand euro (846 thousand euro in 2016) and included rents and recovery of condominium expenses for 551 thousand euro, policy reimbursements and directors' policies and life annuities for 1,044 thousand euro, other income for 177 thousand euro and prior-year income for 200 thousand euro.

26) Raw materials and supplies

Expense for raw materials and supplies amounted to 160 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Materials and machinery	37	17	20	n.s.
Other materials	63	47	16	34.0%
Electricity and gas	59	54	5	9.3%
Total	**159**	**118**	**41**	**34.7%**

n.s.= not significant

27) Services

Expense for services amounted to 6,089 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Legal fees, consultancy and statutory auditor fees	4,553	10,731	(6,178)	-57.6%
Rents and fees for use of third-party assets	247	126	121	96.0%
Insurance	459	871	(412)	-47.3%
Lease payments and expense of civil buildings	60	109	(49)	-45.0%
Maintenance and repairs	103	84	19	22.6%
Subscriptions	197	110	87	79.1%
Communication and entertainment	40	126	(86)	-68.3%
Post and telephone	103	40	63	n.s.
Cleaning	61	49	12	24.5%
Other expense and residual services	266	148	118	79.7%
Total	**6,089**	**12,394**	**(6,305)**	**-50.9%**

n.s.= not significant

The decrease in Legal fees and consultancy was largely due to expense incurred in 2016 for the sale of the subsidiary Italcementi S.p.A. to HeidelbergCement AG and to expense relating to the project for the simplification of capital.
Amounts totaling 182 thousand euro were incurred with regard to the Board of Statutory Auditors.

28) Personnel expenses

Personnel expenses totaled 18,615 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Wages and salaries	12,936	19,409	(6,473)	-33.4%
Social security contributions	2,775	4,761	(1,986)	-41.7%
Provisions and contributions to pension funds	787	1,613	(826)	-51.2%
Directors' remuneration	2,074	2,231	(157)	-7.0%
Other miscellaneous expense	43	32	11	34.4%
Total	**18,615**	**28,046**	**(9,431)**	**-33.6%**

The decrease in personnel expenses arose on the sale of Italcementi S.p.A. to HeidelbergCement AG in 2016.

The number of employees is shown below:

(headcount)	December 31, 2017	December 31, 2016
Number of employees at year end	33	34
Average number of employees	32.00	28.00

29) Other operating expense

Other operating expense net of other operating income amounted to 15,390 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Finance income and costs				
Interest on short-term loans and borrowings	-	56	(56)	-100.0%
Interest on medium/long-term loans and borrowings	-	83	(83)	-100.0%
Current account and financial interest expense due to subsidiaries	1	31	(30)	-96.8%
Commissions	(128)	165	(293)	-177.6%
Available-for-sale bonds and securities	3,880	-	3,880	100.0%
Costs for exchange-rate hedging	60	-	60	100.0%
Options on indices	27	298	(271)	-90.9%
Options on securities	8,949	8,641	308	3.6%
Other expense	111	33	78	n.s.
Total	**12,900**	**9,307**	**3,593**	**38.6%**
Losses on sales of assets and impairment losses				
Sale of Coima Res S.p.A.	-	294	(294)	-100.0%
Sale of Banca Popolare di Milano	-	2,158	(2,158)	-100.0%
Sale of Ubi Banca	-	25	(25)	-100.0%
Sale of Pictet mutual funds	139	15	124	n.s.
Sale of Vontobel mutual funds	42	-	42	100.0%
Sale of Mittel S.p.A.	8	-	8	100.0%
Sale of foreign bonds	85	-	85	100.0%
Impairment loss on Mittel fixed rate 6%	-	19	(19)	-100.0%
Impairment loss on equity investment OVS S.p.A.	738	-	738	100.0%
Impairment loss on index-linked ETFs	33	3	30	n.s.
Impairment losses on put options with pledge	6	-	6	100.0%
Total	**1,051**	**2,514**	**(1,463)**	**-58.2%**
Other expense and income				
Condominium expenses on own buildings	177	133	44	33.1%
Other operating expense	436	121	315	n.s.
Non-deductible VAT	2,046	5,655	(3,609)	-63.8%
IMU tax	273	186	87	46.8%
Registration tax	7	6	1	16.7%
Other taxes	141	154	(13)	-8.4%
Non recurring expense	92	91	1	1.1%
Non recurring income	(1,370)	(394)	(976)	n.s.
Other expense and income	(699)	136	(835)	n.s.
Fondazione Italcementi Ing. Carlo Pesenti	-	900	(900)	-100.0%
Total	**1,103**	**6,988**	**(5,885)**	**-84.2%**
Utilisation/additions provision for risks				
Additions provision for risks	336	6,400	(6,064)	-94.8%
Total	**336**	**6,400**	**(6,064)**	**-94.8%**
Total operating income (expense)	**15,390**	**25,209**	**(9,819)**	**-39.0%**

n.s. = not significant

30) Amortization and depreciation

The overall amount of 546 thousand euro (300 thousand euro in 2016) reflects depreciation of property, plant and equipment for 538 thousand euro (293 thousand euro in 2016) and amortization of intangible assets for 8 thousand euro (7 thousand euro in 2016).

31) Finance costs

Finance costs amounted to 1,189 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Financial services	64	67	(3)	-4.5%
Miscellaneous finance costs (income)	1,125	(21)	1,146	n.s.
Total	**1,189**	**46**	**1,143**	**n.s.**

n.s. = not significant

32) Impairment losses on financial assets

The impairment losses of 21 thousand euro (19,536 thousand euro in 2016) refer to Atmos Venture S.p.A. (4 thousand euro), 035 Investimenti S.p.A. (17 thousand euro).

33) Income tax expense

This caption reflects expense of 1,295 thousand euro, as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change	% change
Current tax	-	(1,989)	1,989	-100.0%
Deferred tax	-	(10,207)	10,207	-100.0%
Cancellation fines 2007 TRES transactions	-	183	(183)	-100.0%
2015 IRES tax benefit 2016 "Modello unico" tax return form	-	582	(582)	-100.0%
Non-recoverable withholdings on HeidelbergCement AG divid.	(1,309)	-	(1,309)	100.0%
Prior-year tax	14	-	14	100.0%
Total	**(1,295)**	**(11,431)**	**10,136**	**-88.7%**

The change in “Deferred tax” was largely due to the use in 2016 of deferred tax assets recognized in previous years.

IFRS 7

Risk management policies

Objectives

For Italmobiliare S.p.A., exposure to financial risk is an opportunity to generate profits within the limits established for the purpose of ensuring prudent management of resources.

Financial instruments

The group guidelines define the types of financial instruments allowed, maximum amounts, counterparties and methods of approval.
Derivatives may be used both as risk management instruments and as efficient instruments providing exposure to the markets.

Financial risk management

Credit risk

Italmobiliare S.p.A. is exposed to credit risk with respect to issuers of financial instruments and counterparties in financial transactions.
The group guidelines establish minimum rating levels for individual investments (where applicable), by type of instrument, rating class and maximum exposure to individual counterparties.
A monitoring and reporting system has also been established for senior management.
Italmobiliare S.p.A. has no significant exposure to trade credit risks.

The table below illustrates the level of credit risk exposure for each instrument (bonds, deposits, other financial assets) and with respect to the counterparties in derivatives.

	Fair value (in millions of euro)	**Average rating**	**Residual average life** **(in years) (*)**
Trading bonds	10.4	n.a.	<1
Available-for-sale bonds	33.2	Baa1	8.40
Deposits	192.0	n.a.	n.a.
Other financial assets	0.7	n.a.	n.a.
Derivatives and repurchase agreements	(1.4)	n.a.	<1

(*) determined on first call

n.a.= not applicable

Assuming a parallel shift of +100 bps in the credit curve, the estimated overall change in the fair value of financial instruments would be -2.1 million euro, on the statement of financial position.

Deposits are subject to counterparty risk, but a shift of +100 bps in the curve would not have any impact on the amount thereof.
Other financial assets and derivatives are excluded from the sensitivity analysis since their fair value does not depend on the creditworthiness of the counterparty.

Liquidity risk

The Italmobiliare S.p.A. risk management objective is to establish a debt management policy that satisfies funding requirements over time and minimizes borrowing cost, given the restrictions on the market.

The company had a strong Net Financial Position (hereinafter "NFP") at December 31, 2017: a regular report is drawn up analyzing the NFP trend in relation to requirements.

The table below shows NFP by maturity (residual life) compared with undrawn lines of credit:

	Maturity				
(in millions of euro)	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**	**Total**
Total financial liabilities	(11.9)				**(11.9)**
Total financial assets	245.5	0.8	9.0	64.5	**319.8**
Net financial position	**233.6**	**0.8**	**9.0**	**64.5**	**307.9**
Undrawn committed lines of credit					
Undrawn uncommitted lines of credit	**(208.0)**				**(208.0)**

On May 18, 2017, the Mediobanca securities-backed floating-rate loan of 7.11 million euro maturing on September 27, 2018 was renegotiated and 120,000 HeidelbergCement AG shares were provided as collateral.

At December 31, 2017, some loan contracts included customary clauses represented mainly by negative pledges, which could weaken the borrower's security in the form of assets (e.g., amendments to the by-laws, change of business, reduction in share capital) and cause the lender to withdraw from the contract.

Market risk

Interest-rate risk

Fluctuations in interest rates affect the fair value of financial assets and liabilities and the level of net finance costs.

A report analyzing the NFP is drawn up on a regular basis, specifying amounts, maturities and costs.

The table below illustrates the composition of the net financial position at December 31, 2017, and exposure to interest-rate risk; reference should be made to the specific note for a detailed analysis of the net financial position.

(in millions of euro)	
Balance at December 31, 2017	
Fixed-rate financial liabilities	
Fixed-rate financial assets	36.7
Fixed-rate NFP at inception	**36.7**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Fixed-rate NFP after hedging	**36.7**
Floating-rate financial liabilities	(7.9)
Floating-rate financial assets	24.0
Floating-rate NFP at inception	**16.1**
Fixed-rate/Floating-rate hedging	
Floating-rate/Fixed-rate hedging	
Floating-rate NFP after hedging	**16.1**
Assets not exposed to interest-rate risk	259.1
Liabilities not exposed to interest-rate risk	(4.0)
Total NFP	**307.9**

Floating-rate assets include amounts due from Group companies and floating-rate bonds; floating-rate liabilities include amounts due to third parties and Group companies.
A simulation was performed to estimate the change in the fair value of the total net financial position caused by an upward shift of 100 bps in the interest-rate curve on all maturities.
The analysis found an overall estimated impact of -0.6 million euro on the statement of financial position.
On demand and time deposits, an instantaneous shift in the curve would not generate an automatic effect on the income statement.
Symmetrical results would be generated by an instantaneous parallel downward shift in the rate curve.

Currency risk

Overall exposure to the currency risk is limited. Currency positions are limited and used in order to de-correlate the risk of traditional financial assets in the liquidity management portfolio.

Other price risks

Italmobiliare S.p.A. is particularly exposed to the risk of fluctuations in the prices of listed equities carried at fair value.

Since Italmobiliare S.p.A. is a holding company, exposure to equity risk is inherent to its core business. In some cases, for limited amounts, an internal Regulation sets out procedures and approvals for the use of derivatives to mitigate this risk.

At December 31, 2017, assets exposed to price risk, classified as "Available-for-sale" and trading, amounted to 542.6 million euro.

A hypothetical reduction of 5% in share prices would have a negative impact on asset fair value of 27.2 million euro, of which -26.8 million euro on equity and -0.4 million euro on the income statement.

(in millions of euro)	Underlying		Share price delta	Impact on income statement		Impact on equity
Shares (AFS)	535.3		-5%			
Shares (trading)	7.3		-5%	(0.4)		(26.8)

Net financial position (debt)

At December 31, 2017, the company had a net financial position of 307,916 thousand euro, a decrease of 9,057 thousand euro from December 31, 2016.

The breakdown of the net financial position is set out below:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Cash and cash equivalents	191,668	146,830	44,838
Financial assets due from Group companies	16,376	4,475	11,901
Government securities and bonds - current	364	717	(353)
Government securities and bonds - non-current	6,876	4,525	2,351
Mutual funds	52,786	70,636	(17,850)
Fixed-rate currency bonds (USD)	16,885	47,470	(30,585)
Repurchase agreements	-	50,044	(50,044)
Compagnia Fiduciaria Nazionale bond	417	417	
Prime Holding 2017/2018 bond	10,000	-	10,000
Tecnica Group 2017/2022 convertible bond	9,000	-	9,000
Held for trading equity investments (OVS)	7,289	-	7,289
Index-linked ETFs	4,890	1,967	2,923
Puts/calls on equities	2,604	7,793	(5,189)
Derivatives on initial margin requirements	226	-	226
Prepayments and accrued income	97	225	(128)
Total financial assets	**319,478**	**335,099**	**(15,621)**
Bank loans and borrowings	-	-	
Securities-backed loans and borrowings	(7,112)	(7,112)	
Financial liabilities vs subsidiaries	(483)	(408)	(75)
Puts/calls on equities	(3,967)	(10,606)	6,639
Prepayments and accrued income	-	-	
Total financial liabilities	**(11,562)**	**(18,126)**	**6,564**
Net financial position	**307,916**	**316,973**	**(9,057)**

Comparison between fair value and carrying amount

The table below provides a breakdown of the carrying amount and the fair value of financial assets and financial liabilities at December 31, 2017 and December 31, 2016.

(in thousands of euro)	December 31, 2017 Carrying amount	December 31, 2017 Fair Value	December 31, 2016 Carrying amount	December 31, 2016 Fair Value
Financial assets				
Assets at fair value through profit or loss				
Cash and cash equivalents	192,013	192,013	146,830	146,830
Options on securities	2,827	2,827	7,793	7,793
Derivatives	-	-	-	-
Equity investments, bonds and current loan assets	88,244	88,244	155,260	155,260
Loans and receivables				
Trade receivables	2,383	2,383	262	262
Receivables and other non-current assets	107,494	107,494	89,376	89,376
Available-for-sale assets				
Other equity investments	599,767	599,767	626,775	626,775
Held-to-maturity investments	-	-	-	-
Total	**992,728**	**992,728**	**1,026,296**	**1,026,296**
Financial liabilities				
Trade payables	5,462	5,462	2,288	2,288
Current loans and borrowings	7,941	7,941	408	408
Current bank loans and borrowings				
Non-current loans and borrowings			7,112	7,112
Options on securities	3,964	3,964	10,606	10,606
Interest-rate derivatives	-	-		
Total	**17,367**	**17,367**	**20,414**	**20,414**

Fair Value – hierarchy

In determining and documenting the fair value of financial instruments, Italmobiliare S.p.A. uses the following hierarchy based on different measurement techniques:
level 1: financial instruments with prices quoted on active markets;
level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;
level 3: fair value determined with measurement methods where no significant input is based on observable market data.

At December 31, 2017, financial instruments measured at fair value were as follows:

(in thousands of euro)	December 31 2017	Level 1	Level 2	Level 3
Equity investments, bonds and current loan assets	61,852	61,852		
Derivatives - assets	2,827	20	2,807	
Receivables and other non-current assets	97,958		6,876	91,082
Non-current equity investments	599,767	535,286	19,888	44,593
Current loans and borrowings	(7,941)		(7,941)	
Derivatives - liabilities	(3,964)	(46)	(3,918)	
Non-current loans and borrowings	-			

With reference to the fair value of the non-current equity investments shown under level 3, Banca Leonardo fair value was estimated on the basis of the consideration expected from the sale. Based on this estimate, fair value was increased by 991 thousand euro.
For Sesaab, fair value was estimated on the basis of market multiples and comparables; on the basis of the estimate, the carrying amount was deemed appropriate.
There were no transfers between levels in 2017.

The change in level 3 is set out in the table below:

(in thousands of euro)	Receivables and other non-current assets	Non-current equity investments	Total
Balance at December 31, 2016	**84,647**	**11,889**	**96,536**
Changes arising from acquisitions	18,242	35,000	**53,242**
Fair value changes	29,301	(800)	**28,501**
Sales/reductions in capital	(40,691)	(1,475)	**(42,166)**
Impairment losses	-	(21)	**(21)**
Other changes	(417)		**(417)**
Total changes	**6,435**	**32,704**	**39,139**
Balance at December 31, 2017	**91,082**	**44,593**	**135,675**

Cash and cash equivalents

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Cash and checks in hand	2	11	(9)
Bank and postal accounts	192,011	146,819	45,192
Net amount	**192,013**	**146,830**	**45,183**

Short-term deposits are demand deposits; interest matures at the respective short-term rates.
The fair value of cash and cash equivalents corresponds to their carrying amount.

Equity investments, bonds and current loan assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Held for trading bonds and funds	64,563	150,752	(86,189)
Listed trading equities	7,289	-	7,289
Current financial assets due from subsidiaries	16,376	4,475	11,901
Financial prepayments	97	225	(128)
Total	**88,325**	**155,452**	**(67,127)**

Details of “Held for trading bonds and funds” are illustrated in annex “D”.

Trade receivables

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Customers	2,022	52	1,970
Subsidiaries	361	210	151
Total	**2,383**	**262**	**2,121**

Receivables referred to Italian subjects.

Other non-current assets

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Available-for-sale bonds and mutual funds	107,376	89,172	18,204
Other assets	24	-	24
Guarantee deposits	13	13	-
Receivables on tax consolidation due from subsidiaries	691	1,098	(407)
Total	**108,104**	**90,283**	**17,821**

Details of "Available-for-sale bonds and mutual funds" [v. tabella sopra] are illustrated in annex "D".

Equity investments in subsidiaries and associates

The movements on this caption with respect to December 31, 2016, are illustrated below:

(in thousands of euro)	
At December 31, 2016	**279,126**
Increase for purchase of equity investments	48,006
Increase for capital payment to Italmobiliare Servizi S.r.l.	8,800
Decrease for sale of equity investment	(46,812)
At December 31, 2017	**289,120**

The increase in equity investments refers largely to the purchase of Dokimè S.r.l. (3,713 thousand euro) and Tecnica group S.p.A. (43,314 thousand euro).

The decrease of 46,812 thousand euro is due to the sale of the subsidiary BravoSolution S.p.A., which generated gains of approximately 113 million euro.

With reference to the subsidiary Sirap Gema S.p.A., an impairment test was carried out by an independent expert in accordance with IAS 36, to determine recoverable amount (equity value) on the basis of the estimated present value of future cash flows.
The equity value of Sirap Gema S.p.A. was determined using the asset-side approach, which decreases the core equity value by net financial debt and employee provisions and increases it by the balance between other non-operating assets and liabilities (net surplus assets).
Since the equity value of Sirap Gema S.p.A. corresponds to the sum of all its cash-generating units, this approach meant it was possible for most of the CGUs to use the estimated recoverable amount already calculated by Sirap Gema S.p.A. for its own impairment testing.
For the CGUs that were not measured in the Sirap group impairment test, recoverable amount was estimated on the basis of consistent criteria. Specifically, the recoverable amount of all the CGUs was estimated using the value in use configuration based on analytical future cash flow projections for a period of five years (2018-2022) and on subsequent estimated terminal value.

The cash flow projections for the first year correspond to the 2018 budget figures; the projections for 2019/2022 are Sirap Gema S.p.A. management's best estimate compatibly with current strategy and trends and with the assumptions underlying the 2018 budget.

The table below sets out the discount rates (after-tax weighted average cost of capital) and the nominal growth rate (g) used in the terminal value employed to determine value in use of each CGU of the Sirap group (data relating to the Inline Poland CGU refers to cash flows in local currency):

	Weighted average cost of capital	Growth rate (g)
Rigid Division Italy CGU	8.88%	0.85%
Foamed Container Division CGU	8.18%	0.85%
Rigid Poland CGU	8.44%	2.50%
Sirap France CGU	7.00%	1.82%
Petruzalek group CGU	9.70%	2.33%
Rosa Plast Due Srl	8.88%	0.85%
Universal Imballaggi CGU	8.18%	0.85%

The nominal growth rates (g) used in the terminal value are aligned with the inflation rate or GDP growth rate forecast for 2022 for the countries/markets in which each CGU operates.

Equity value was ascertained at 80,877 thousand euro against a carrying amount of 50,878 thousand euro. Therefore, no impairment losses were recognized. In the packaging sub-segment at December 31, 2017, an increase of 0.5% in the weighted average cost of capital, with the same growth rate in the "Rigid" CGU, would cause a decrease of 5.6 million euro in the value of the CGU without generating an impairment loss

With reference to the subsidiary Clessidra SGR, an impairment test was carried out in accordance with IAS 36, to determine recoverable amount (equity value) on the basis of the estimated present value of future cash flows.

Said recoverable amount was estimated with the assistance of an independent expert using the value in use configuration based on analytical future cash flow projections taken from 2018 budget data and from the financial and business projections for the period 2019-2022. The present value of future cash flows was computed using a discount rate of 10.87% and, for estimation of the terminal value, an inflation rate of 1.2%. Testing did not generate any impairment losses.

The equity value was ascertained at 25,624 thousand euro against a carrying amount of 19,000 thousand euro. Therefore, no impairment losses were recognized. An increase of 0.5% in the discount rate, at the same growth rate, would cause a decrease of 1.3 million euro in incremental value without generating an impairment loss.

Equity investments in subsidiaries and associates at December 31, 2017, are listed below:

Subsidiaries	Registered office	% held
Clessidra SGR S.p.A.	Milan	100.00
Franco Tosi S.r.l.	Milan	100.00
Italgen S.p.A.	Bergamo	100.00
Italmobiliare Servizi S.r.l.	Milan	100.00
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	100.00
Sirap Gema S.p.A.	Verolanuova	100.00
Associates		
Dokimè S.r.l.	Milan	20.63
Società Editrice Sud S.p.A.	Messina	31.10
Tecnica Group S.p.A.	Messina	40.00

See annexes “A” and “B” for further information on equity investments in subsidiaries and associates.

Other non-current equity investments

This non-current asset caption reflects equity investments classified as “available-for-sale”, as required by IAS 39.

(in thousands of euro)	
At December 31, 2016	**626,775**
Purchases	46,147
Disposals	(101,694)
Subscription of share capital increase arising from exercise of cashes rights	1,637
Distribution of capital reserves	(1,341)
Fair value taken to reserves	28,264
Fair value taken to profit or loss (impairment losses)	(20)
At December 31, 2017	**599,768**

The increases related mainly to the purchase of Sciquest Inc./Jaggear shares (35,000 thousand euro) and the sales of HeidelbergCement AG shares (80,565 thousand euro). Other movements are set out in Annex “A”.

For the other companies, the fair value of listed companies was determined on the basis of the official share price on the last accounting day of the reporting period; the fair value of unlisted companies was calculated using the methods envisaged by IAS 39.

Other equity investments at December 31, 2017 were as follows:

(in thousands of euro)	Number of shares	December 31, 2017
Investments in listed companies		
Cairo Comminication S.p.A.	189,198	706
Coima Res S.p.A.	412,332	3,676
HeidelbergCement AG	4,831,771	436,067
Mediobanca S.p.A.	9,437,720	89,423
Piaggio S.p.A.	269,699	623
Unicredit S.p.A.	114,331	1,794
Ideami S.p.A.	300,000	2,919
Ideami S.p.A. warrant	60,000	78
Total		**535,286**
Investments in non-listed companies		
Atmos Venture S.p.A.	222,909	77
Compagnia Fiduciaria Nazionale S.p.A.	20,001	1,096
Emittenti Titoli S.p.A.	209,000	-
Fin Priv S.r.l.	2,857	19,888
Banca Leonardo S.p.A. group	757,667	5,660
Idrovia Ticino - Milano Nord - Mincio S.p.A. winding up	100	1
Imm.re Lido di Classe S.p.A.	45,991	-
Immobiliare Astra S.p.A.	12,012	30
Sciquest Inc.	92,703,301	34,828
Sesaab S.p.A.	700,000	1,982
035 Investimenti S.p.A.	1,000,000	920
Total		**64,482**
Total equity investments		**599,768**

The analysis of movements in equity investments is shown in Annex “A”.

Trade payables

The balance on this caption was as follows:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Suppliers	5,191	1,926	3,265
Group companies	271	362	(91)
Total	**5,462**	**2,288**	**3,174**

Financial liabilities

Financial liabilities are shown below by category, subdivided by current and non-current liabilities:

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Non-current bank loans and borrowings	-	7,112	(7,112)
Current bank loans and borrowings	7,458	-	7,458
Current loans and borrowings	483	408	75
Options on securities	3,967.00	10,606.00	(6,639)
Total financial liabilities	**11,908**	**18,126**	**(6,218)**

Main bank loans and borrowings and lines of credit
The main loans and borrowings were as follows:

(in thousands of euro)		December 31, 2017	December 31, 2016	Change
Without collateral:				
Total		**-**	**-**	
With collateral:				
- Mediobanca S.p.A.	maturity 9/27/2018	7,112	7,112	**-**
Total		**7,112**	**7,112**	**-**
Total loans and borrowings		**7,112**	**7,112**	**-**

A reconciliation of the changes in financial liabilities arising from financing activities is set out below.

(in thousands of euro)	December 31, 2017	December 31, 2016	Change
Non-current loans and borrowings	-	7,112	(7,112)
Bank loans and borrowings	346	-	346
Current loans and borrowings	7,595	408	7,187
Total financial liabilities	**7,941**	**7,520**	**421**

The increase of 421 thousand euro in financial liabilities arose solely from monetary movements.

Non-recurring transactions

The following tables itemize the most significant non-recurring transactions and their impact on the financial positions, results of operations and cash flows:

	12/31/2017					
(in thousands of euro)	**Equity**		**Profit (loss) for the**		**Net financial position**	
		%		**%**		**%**
Carrying amounts	**1,252,085**		**102,117**		**316,973**	
Net gains from sale on BravoSolution equity investment	72,044	5.75%	72,044	70.55%	n.a.	
Purchase non-core assets	-		-		-	
Income from distribution to shareholders	-		-		-	
Other non-recurring expense	1,034	0.08%	1,034	1.01%	-	
Total	**73,078**	**5.84%**	**73,078**	**71.56%**		
Figurative amount without non-recurring transactions	**1,179,007**		**29,039**		**316,973**	

	12/31/2016					
(in thousands of euro)	**Equity**		**Profit (loss) for the**		**Net financial position**	
		%		**%**		**%**
Carrying amounts	**1,218,412**		**759,829**		**316,973**	
Net gains from the sale of non-current assets	741,032	60.82%	741,032	97.53%	877,900	n.s.
Purchase of non-core assets	(122,274)	-10.04%			(200,995)	-63.41%
Income from distribution to shareholders	(523,931)	-43.00%	71,769	9.45%	(126,900)	-40.03%
Other non-recurring income (expense)	(6,906)	-0.57%	(6,906)	-0.91%	(900)	-0.28%
Total	**87,921**	**7.22%**	**805,895**	**n.s.**	**549,105**	**n.s.**
Figurative amount without non-recurring transactions	**1,130,491**		**(46,066)**		**(232,132)**	

n.s.= not significant

n.a.= not applicable

Audit fees

The table below sets out details of the fees paid in 2017 to the independent auditors, pursuant to article 149-duodecies.1 of CONSOB Resolution no. 11971 of May 14:

Services provided (in thousands of euro)	**KPMG S.p.A.**	**Other companies in the KPMG network**	**Total**
Audit services	281	-	281
Review on non-financial disclosure	40	-	40
Non-audit services	-	6	6
Total	**321**	**6**	**327**

Transactions with related parties

The figures at December 31, 2017, for transactions with related parties are set out in the table below:

Receivables and payables with related parties

(euro) Description	**Company**	**Amount**	**% impact on carrying amount**	**Carrying amounts**	**Reference**
Trade receivables					
subsidiaries	Clessidra SGR	38,150			
	Franco Tosi S.r.l.	18,589			
	Italgen S.p.A.	44,500			
	Italmobiliare Servizi S.r.l.	18,740			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	9,314			
	Sirap Gema S.p.A.	231,733			
Total trade receivables		**361,026**	**15.15%**	**2,383,416**	**Note 8**
Other receivables					
Associates	Tecnica bond loan 2017/2022	9,000,000			
Total other non-current assets		**9,000,000**	**8.33%**	**108,103,718**	**Note 7**
Receivables for tax consolidation					
subsidiaries	Franco Tosi S.r.l.	691,139			
Prepayments and accrued income	Sirap Gema S.p.A.	12,112			
subsidiaries					
	Other related parties	5,415			
Total other current assets including derivatives		**708,666**	**6.08%**	**11,664,309**	**Note 9**
Current account receivables					
subsidiaries	Franco Tosi S.r.l.	151,242			
	Italgen S.p.A.	149,579			
	Sirap Gema S.p.A.	16,075,191			
Total current financial assets		**16,376,012**	**18.54%**	**88,325,352**	**Note 11**
Current account payables					
subsidiaries	Italmobiliare Servizi S.r.l.	(97,349)			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	(385,521)			
Total current liabilities		**(482,870)**	**6.36%**	**(7,595,150)**	**Note 18**

(euro) Description	Company	Amount	% impact on carrying amount	Carrying amounts	Reference
Trade payables					
subsidiaries	BravoSolution S.p.A.	(9,000)			
	Franco Tosi S.r.l.	(6,476)			
	Italmobiliare Servizi S.r.l.	(255,968)			
	Other related parties	(1,200)			
Total trade payables		**(272,644)**	**4.99%**	**(5,462,290)**	**Note 22**
Other payables tax consolidation					
subsidiaries	Clessidra SGR	(132,813)			
	Italgen S.p.A.	(231,332)			
	Sirap Gema S.p.A.	(326,270)			
Other liabilities					
subsidiaries	BravoSolution S.p.A.	(12,763)			
	Franco Tosi S.r.l.	(37,470)			
	Italgen S.p.A.	(438,010)			
	Italmobiliare Servizi S.r.l.	(28,729)			
	Sirap Gema S.p.A.	(148,984)			
Total other non-current liabilities		**(1,356,371)**	**42.39%**	**(3,199,395)**	**Note 20**

COMMITMENTS WITH RELATED PARTIES

Description	Company	Amount
Letters of patronage to		
subsidiaries	Italgen S.p.A.	10,000,000
	Sirap Gema S.p.A.	18,718,815
Total commitments		**28,718,815**

Revenue and expense with related parties

(euro) Description	Company	Amount	% impact on carrying amount	Carrying amounts	Reference
Dividends					
subsidiaries	Italgen S.p.A.	6,000,000			
	Sirap Gema S.p.A.	2,000,000			
Total dividends		**8,000,000**	**35.79%**	**22,354,079**	**Note 24**
Current account and financial interest income and other income					
subsidiaries	BravoSolution S.p.A.	85,156			
	Franco Tosi S.r.l.	287			
	Italgen S.p.A.	37,639			
	Italmobiliare Servizi S.r.l.	1,011			
	Sirap Gema S.p.A.	119,815			
subsidiaries	Tecnica S.p.A.	76,932			
Total interest income		**320,840**	**1.67%**	**19,234,933**	**Note 24**
Recovery of cost of services					
subsidiaries	BravoSolution S.p.A.	17,500			
	Clessidra SGR	147,369			
	Franco Tosi S.r.l.	45,622			
	Italgen S.p.A.	10,452			
	Italmobiliare Servizi S.r.l.	39,784			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	20,056			
	Sirap Gema S.p.A.	303,619			
Total services		**584,402**	**98.98%**	**590,402**	**Note 24**
Total revenue		**8,905,242**	**21.11%**	**42,179,414**	**Note 24**
Other operating income and revenue					
subsidiaries	BravoSolution S.p.A.	86,643			
	BravoSolution Italia S.p.A.	45,586			
	Franco Tosi S.r.l.	748			
	Italgen S.p.A.	18,766			
	Italmobiliare Servizi S.r.l.	146,082			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	2,826			
	Sirap Gema S.p.A.	15,892			
Other operating income and revenue		**316,543**	**16.05%**	**1,972,098**	**Note 25**

(euro) Description	Company	Amount	% impact on carrying amount	Carrying amounts	Reference
Services					
subsidiaries	Franco Tosi S.r.l.	(12,994)			
	Italmobiliare Servizi S.r.l.	(951,916)			
	Other related parties	(328,914)			
Total services		**(1,293,824)**	**21.25%**	**(6,088,647)**	**Note 27**
Current account and financial interest expense					
subsidiaries	Italgen S.p.A.	(177)			
Other income (expense)					
subsidiaries	BravoSolution S.p.A.	11,116			
	BravoSolution Italia S.p.A.	25,766			
	Franco Tosi S.r.l.	1,006			
	Italmobiliare Servizi S.r.l.	4,315			
	Italgen S.p.A.	7,208			
	Punta Ala Promoz. e Sviluppo Imm.re S.r.l.	3			
	Other related parties	(23,570)			
Total other operating income/expense		**25,667**	**-0.17%**	**(15,390,587)**	**Note 29**
Interest expense on trade payables					
subsidiaries	BravoSolution S.p.A.	(13)			
	Italmobiliare Servizi S.r.l.	(29)			
Total finance income/costs		**(42)**	**0.20%**	**(21,024)**	**Note 32**

Impact of transactions with related parties on cash flows

	Cash flows	
(in thousands of euro)	**Amount**	**%**
Cash flow from operating activities with related parties	8,423	-18.2%
Total A) - from statement of cash flows	(46,400)	
Cash flow from investing activities with related parties	54,850	41.8%
Total B) - from statement of cash flows	131,369	
Cash flow from financing activities with related parties	(2,407)	6.0%
Total C) - from statement of cash flows	(39,787)	
Change in cash and cash equivalents with related parties	**60,866**	
Change in cash and cash equivalents from statement of cash flows (A+B+C)	**45,182**	

Fees paid to directors and the chief operating officer

The table below sets out amounts accrued during the financial year by the directors, the chief operating officer and the manager in charge of financial reporting (key management personnel) for positions held:

(euro)	**2017**	**2016**
Short-term benefits: fees and remuneration	9,741,054	5,469,254
Post-employment benefits	-	-
Other long-term benefits	1,816,960	1,064,801
Share-based payments	308,045	164,809
Total	**11,866,059**	**6,698,864**

Events after the reporting date

No significant events have taken place since the reporting date that require amendments to or additional comments on the financial position and results of operations of Italmobiliare S.p.A. as at and for the year ended December 31, 2017.

At a meeting on September 26, 2017, the Italmobiliare S.p.A. Board of Directors approved the proposal for the upstream merger of the wholly-owned financial company Franco Tosi S.r.l. into the parent Italmobiliare S.p.A., and the related merger project.
The purpose of the transaction is to simplify the organizational structure of the Italmobiliare S.p.A. group, thereby improving administrative and managerial efficiency.
Specifically, the merger enables decision-making processes to be optimized and enhances the use of the resources and competences in the companies involved in the merger.
The implementation of the merger is in accordance with the simplified procedure pursuant to article 2505 of the Italian Civil Code.
As provided by article 2504-bis 2, of the Italian Civil Code, the merger signed on February 26, 2018, takes effect from the final registration of the merger deed in the Milan Companies Register, which took place on February 27, 2018. For accounting and tax purposes, it takes effect retroactively from January 1, 2018.

Proposal for the approval of the financial statements and the allocation of the year's earnings

To the Shareholders,

the profit for the year of 102,116,596 euros and the financial situation of the company enable us to propose that the company distribute a dividend of 0.55 euros per ordinary share, gross of the withholdings required by law, taking into account the 5,685,870 ordinary treasury shares whose right to earnings is attributed proportionately to the other shares in accordance with art. 2357-ter of the Italian Civil Code.

***

To the Shareholders,

if you agree with our proposal, we invite you to carry the following resolution:

The Italmobiliare S.p.A. Annual General Meeting of April 18, 2018,

- having noted the directors' report on operations and the report of the Board of Statutory Auditors, and after having examined the financial statements as at and for the year ended December 31, 2017,
- considering that the legal reserve has reached one fifth of the share capital and consequently no further provision to such reserves need be made pursuant to article 2430 of the Italian Civil Code and article 30 of the company by-laws,

hereby resolves

- to approve:
  - the directors' report on operations;
  - the 2017 financial statements, consisting of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes, which reflect a profit of 102,116,596 euros, as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations;
- to apportion the profit for the year as follows:
  - to the 41,947,930 ordinary shares net of the 5,685,870 treasury shares held at March 6, 2018, a per-share dividend of 0.55 euros, for a total amount of 23,071,361.50 euros;
  - to "Retained earnings", the residual amount of 79,045,234.50 euros;
- to severally authorize the Chairman, the Deputy Chairman and the Chief Executive Officer, should the number of ordinary treasury shares change before the dividend date:
  - to increase "Retained earnings" by the amount corresponding to the dividend entitlement of any ordinary shares purchased,
  - to reduce "Retained earnings" by the amount corresponding to the dividend entitlement of any ordinary shares sold.

The proposed dividend will be paid as from May 9, 2018 (coupon date May 7, 2018).

Milan, March 6, 2018

For the Board of Directors
The Chief Executive Officer
Carlo Pesenti

Annexes

Annex A – Statement of changes in equity investments in subsidiaries, associates and other companies at December 31, 2017

(euro)

Equities and interests	Balance at 1/1/2017		Acquisitions		Decreases	
Subsidiaries	**Quantity**	**Amounts**	**Quantity**	**Amounts**	**Quantity**	**Amounts**
BravoSolution S.p.A.	26,714,725	46,812,245			26,714,725	46,812,245
Clessidra SGR S.p.A.	297,000	18,810,000	3,000	190,000		
Franco Tosi S.r.l.	260,000	129,512,878				
Italgen S.p.A.	20,000,000	20,131,526				
Italmobiliare Servizi S.r.l.	1	2,611,491		8,800,000 (1)		
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	1,300,000	1,558,523				
Sirap Gema S.p.A.	5,000,000	50,878,428				
Total subsidiaries		**270,315,091**		**8,990,000**		**46,812,245**
Associates						
Dokimè S.r.l.	--	--	20,627	3,712,860		
Società Editrice Sud S.p.A.	27,636	8,811,000	1,639	789,494		
Tecnica Group S.p.A.	--	--	15,413,534	43,314,320		
Total associates		**8,811,000**		**47,816,674**		**--**
Other companies						
Ambienta S.p.A.	150	18,455			150	18,455
Atmos Venture S.p.A.	222,909	79,915				
Banco BPM	--	--	150,000	463,200	150,000	463,200
Cairo Communication S.p.A.	189,198	713,106				38
Coima Res S.p.A.	412,332	2,676,241				
Compagnia Fiduciaria Nazionale S.p.A.	20,001	1,002,059				
Emittenti Titoli S.p.A.	209,000	1,827,474				1,827,465
Fin.Priv. S.r.l.	2,857	16,473,937				
Banca Leonardo S.p.A. group	757,667	6,010,000				1,341,070 (2)
HeidelbergCement AG	5,740,771	508,804,534			909,000	80,564,670
Ideami S.p.A.	--	--	300,000	3,000,000		
Ideami S.p.A. warrant	--	--	60,000 (4)			
Idrovia Ticino Milano Nord Mincio S.p.A. winding up	100	568				
Immobiliare Lido di Classe S.p.A.	45,991	1				
Immobiliare Astra S.p.A.	12,012	30,020				
Mediobanca S.p.A.	11,070,732	86,218,861	766,988	6,974,172	2,400,000	18,820,491
Piaggio S.p.A.	--	--	269,699	710,252		
Sciquest Inc.	--	--	92,703,301	35,000,000		
Sesaab S.p.A.	700,000	1,982,000				
UniCredit S.p.A. - ordinary shares	--	--	114,331	1,636,925 (3)		
035 Investimenti S.p.A.	1,000,000	937,588				
Total other companies		**626,774,759**		**47,784,549**		**103,035,389**
Total equity investments		**905,900,850**		**104,591,223**		**149,847,634**

(1) Capital contribution payment

(2) Distribution of capital reserves

(3) Subscription of share capital increase arising from exercise of cashes

(4) Assignment 2 free warrants per 10 ordinary shares on date of commencement of negotiations on AIM Italia, for a total of 60,000

Changes in fair value	Impairment losses	Interest held	Balance at 12/31/2017		Gains (losses) on sales	
Amounts	Amounts	%	Quantity	Amounts	Amounts	**Subsidiaries**
			--	--	72,043,660	BravoSolution S.p.A.
		100.000	300,000	19,000,000	--	Clessidra SGR S.p.A.
		100.000	260,000	129,512,878	--	Franco Tosi S.r.l.
		100.000	20,000,000	20,131,526	--	Italgen S.p.A.
		100.000	1	11,411,491	--	Italmobiliare Servizi S.r.l.
		100.000	1,300,000	1,558,523	--	Punta Ala Promozione e Sviluppo Immobiliare S.r.l.
		100.000	5,000,000	50,878,428	--	Sirap Gema S.p.A.
--	**--**			**232,492,846**	**72,043,660**	**Total subsidiaries**
						Associates
		20.627	20,627	3,712,860	--	Dokimè S.r.l.
		31.099	29,275	9,600,494	--	Società Editrice Sud S.p.A.
		40.000	15,413,534	43,314,320	--	Tecnica Group S.p.A.
--	**--**			**56,627,674**	**--**	**Total associates**
						Other companies
			--	--	9,140	Ambienta S.p.A.
430	(3,844)	10.132	222,909	76,501	--	Atmos Venture S.p.A.
			--	--	1,605	Banco BPM
(7,454)		0.141	189,198	705,614	--	Cairo Communication S.p.A.
999,616		1.145	412,332	3,675,857	--	Coima Res S.p.A.
93,645		16.668	20,001	1,095,704	--	Compagnia Fiduciaria Nazionale S.p.A.
		2.549	209,000	9	2,389,024	Emittenti Titoli S.p.A.
3,414,350		14.285	2,857	19,888,287	--	Fin.Priv. S.r.l.
991,070		2.751	757,667	5,660,000	--	Banca Leonardo S.p.A. group
7,827,469		2.435	4,831,771	436,067,333	20,434,164	HeidelbergCement AG
(81,000)		1.200	300,000	2,919,000	--	Ideami S.p.A.
78,000			60,000	78,000	--	Ideami S.p.A. warrant
		0.200	100	568	--	Idrovia Ticino Milano Nord Mincio S.p.A. winding up
		18.036	45,991	1	--	Immobiliare Lido di Classe S.p.A.
30		1.784	12,012	30,050	--	Immobiliare Astra S.p.A.
15,049,855		1.068	9,437,720	89,422,397	5,592,989	Mediobanca S.p.A.
(87,059)		0.075	269,699	623,193	--	Piaggio S.p.A.
(172,184)		9.500	92,703,301	34,827,816	--	Sciquest Inc.
		7.000	700,000	1,982,000	--	Sesaab S.p.A.
157,557		0.005	114,331	1,794,482	--	UniCredit S.p.A. - ordinary shares
	(17,180)	10.000	1,000,000	920,408	--	035 Investimenti S.p.A.
28,264,325	**(21,024)**			**599,767,220**	**28,426,922**	**Total other companies**
28,264,325	**(21,024)**			**888,887,740**	**100,470,582**	**Total equity investments**

Annex B
Equity investments in subsidiaries and associates at December 31, 2017 (art. 2427 no.5 Italian Civil Code)

	Registered office		Share capital (in euro)	Total equity (in euro)	Profit (loss) for the year (in euro)		Interest held
Subsidiaries							
Clessidra SGR S.p.A.	Milan	€	3,000,000	22,144,256	2,335,320		100.000
Franco Tosi S.r.l.	Milan	€	260,000	283,406,046	268,841		100.000
Italgen S.p.A.	Bergamo	€	20,000,000	32,840,323	1,582,840		100.000
Italmobiliare Servizi S.r.l.	Milan	€	3,520,000	10,187,755	(1,223,737)		100.000
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	€	1,300,000	1,004,823	(61,142)		100.000
Sirap Gema S.p.A.	Verolanuova	€	5,000,000	8,331,027	2,036,807		100.000
Total subsidiaries							
Associates							
Dokimè S.r.l.	Milan	€	100,000	--	--	(1)	20.627
Società Editrice Sud S.p.A.	Messina	€	10,695,505	51,479,318	(1,388,460)	(2)	31.099
Tecnica Group S.p.A.	Treviso	€	25,000,000	48,752,447	(3,185,532)	(2)	40.000
Total associates							

(1) newly established company, no financial statements available

(2) data at 12/31/2016

Reasons for negative difference shown in last column
- Italmobiliare Servizi S.r.l.: carrying amount maintained because lower than recoverable amount
- Punta Ala S.r.l.: carrying amount maintained because lower than recoverable amount
- Sirap Gema S.p.A.: carrying amount maintained because lower than recoverable amount

Number of shares or quotas	Nominal unit value (in euro)	Overall carrying amount Unit	(in euro)	Overall (000 €) (A)	Value as per art. 2426.4 Italian Civil Code (000 €) (B)	Difference (000 €) (B) - (A)	
							Subsidiaries
300,000	10.00	63.33	19,000,000	19,000	25,139	6,139	Clessidra SGR S.p.A.
260,000	1.00	498.13	129,512,878	129,513	287,156	157,643	Franco Tosi S.r.l.
20,000,000	1.00	1.01	20,131,526	20,132	25,383	5,251	Italgen S.p.A.
1	3,520,000.00	11,411,491	11,411,491	11,411	8,552	(2,859)	Italmobiliare Servizi S.r.l.
1,300,000	1.00	1.20	1,558,523	1,559	1,006	(553)	Punta Ala Promozione e Sviluppo Immobiliare S.r.l.
5,000,000	1.00	10.18	50,878,428	50,878	20,082	(30,796)	Sirap Gema S.p.A.
			232,492,846	**232,493**	**367,318**	**134,825**	**Total subsidiaries**
							Associates
20,627	1.00	180.00	3,712,860	3,713	3,713		Dokimè S.r.l.
29,275	56.81	327.94	9,600,494	9,600	9,600		Società Editrice Sud S.p.A.
15,413,534	1.00	2.81	43,314,320	43,314	43,314		Tecnica Group S.p.A.
			56,627,674	**56,627**	**56,627**		**Total associates**

Annex C
Statement of changes in trading equity investments at December 31, 2017

(euro) Equities and shares	Balance at 01.01.2017		Acquisitions		Decreases		Changes in fair value	Interest held	Balance at 12.31.2017		Gains (losses) on sales
	Quantity	Amounts	Quantity	Amounts	Quantity	Amounts	Amounts	%	Quantity	Amounts	Amounts
Other companies											
OVS S.p.A. - ordinary shares	--	--	2,046,078	12,597,165	734,985	4,569,508	(738,242)	0.578	1,311,093	7,289,415	317,195
Total other companies		**--**		**12,597,165**		**4,569,508**	**(738,242)**			**7,289,415**	**317,195**

Annex D
Statement of changes in bonds and fund units during 2017

(euro)	Balance at 01.01.2017	Additions	Decreases	Changes in fair value	Balance at 12.31.2017
Available-for-sale portfolio					
Other variable-income securities	4,524,900	--	423,456	2,774,856	6,876,300
Mutual funds	84,230,257	18,242,271	40,748,241	29,358,199	91,082,486
Other fixed-income securities	417,000	9,000,000	--	--	9,417,000
Total	**89,172,157**	**27,242,271**	**41,171,697**	**32,133,055**	**107,375,786**

"Mutual funds" of 91,082,486 euro largely consists of:
- Aksia for 13,647,302 euro
- Clessidra (CCP3 fund) for 44,223,803 euro
- Vontobel for 20,361,374 euro

	Balance at 01.01.2017	Additions	Decreases	Changes in fair value	Balance at 12.31.2017
Trading portfolio					
Other variable-income securities	2,648,760	3,970,737	1,113,154	87,931	5,594,274
Other fixed-income securities	48,186,603	18,869,828	49,895,260	87,391	17,248,562
Mutual funds	49,872,502	6,000,000	24,457,672	304,937	31,719,767
Other fixed-income securities	--	10,000,000	--	--	10,000,000
Repurchase agreements	50,043,691	--	50,043,691	--	--
Total	**150,751,556**	**38,840,565**	**125,509,777**	**480,259**	**64,562,603**

The balance at December 31, 2017 was equal to market value at December 31, 2016.

Annex E
Comparison of carrying amount and market prices at December 31, 2017, for equity investments in companies with listed shares

(euro) Equities	Number of shares	Carrying amount	Unit carrying amount	Unit fair value at Sunday, December 31, 2017	Fair value at December 31, 2017
Other companies					
Cairo Communication S.p.A.	189,198	705,614	3.7295	3.7295	705,614
Coima Res S.p.A.	412,332	3,675,857	8.9148	8.9148	3,675,857
HeidelbergCement AG	4,831,771	436,067,333	90.250	90.250	436,067,333
Mediobanca S.p.A.	9,437,720	89,422,397	9.4750	9.4750	89,422,397
Piaggio S.p.A.	269,699	623,193	2.3107	2.3107	623,193
Unicredit S.p.A.	114,331	1,794,482	15.6955	15.6955	1,794,482
		532,288,876			**532,288,876**
Treasury shares (allocated as a reduction against equity)					
Italmobiliare Società per Azioni - ordinary shares (*)	5,690,870	134,607,934	23.6533	24.0799	137,035,581
		134,607,934			**137,035,581**

(*) of which 614,100 to service stock option plans

Annex F
Reconciliation between the theoretical tax charge and the effective tax charge reflected in the income statement

	(in thousands of euro)			
A)	**Profit before tax at 12/31/2017**			**103,411**
B)	Current IRES tax rate	**24.0%**		
C)	**Theoretical IRES (AxB)**			**(24,819)**
D)	- non deductible			(17,916)
	- non taxable/ exempt			49,761
			tot. D)	31,844
E)	Deferred tax assets / liabilities generated in the year:			
	- unrecognized deferred tax liabilities on taxable temporary differences			--
	- unrecognized deferred tax assets on deductible temporary differences			(7,025)
	- unrecognized deferred tax assets on tax loss			
			tot. E)	(7,025)
F)	Recovery in year of deferred tax assets not recognized in prior years on deductible temporary differences and/or tax losses		tot. F)	--
G)	Other taxes (prior-year taxes)		tot. G)	
H)	Other changes		tot. H)	--
	Total		**(C+D+E+F+G+H)**	**--**
I)	Other taxes (unrecoverable witholdings and prior-year taxes)			1,295
L)	**Effective tax charge recognized in the income statement for 2017**			**1,295**

Annex G
Analysis of equity line items at December 31, 2017

(in thousands of euro) Nature / description	Amount	Possible uses	Available amount	Summary of uses in three previous years to cover losses	 other
Share capital	**100,167**				
Reserves:					
Share premium	177,191	A, B, C	177,191		
Stock options	12,054	-			
AFS fair value reserve	168,409	-	-		
Total reserves	**357,654**	**-**	**177,191**		
Treasury shares at cost	**(134,608)**	**-**			(1,507)
Retained earnings:					
Revaluation reserves	-	A, B, C	-	-	
Reserve for grants related to assets	-	A, B, C	-	-	
Merger surplus	8,823	A, B, C	8,823		(48,521)
Reserve as per art.55 Presidential decree no. 597/1973 and 917/86	-	A, B, C	-	-	
Reserve as per art.54 Presidential decree no. 597/1973 and 917/86	-	A, B, C	-	-	
Reserve art.33 law no. 413/91	-	A, B, C	-	-	
Reserve art.34 law no. 576/75	60,087	A, B, C	60,087	-	
Legal reserve	20,034	B	-		
Extraordinary reserve	-	A, B, C	-		(310,872)
Retained earnings	736,868	A, B, C	736,868		(183,442)
Translation reserve	-	A, B, C	-		
Reserve ex art.7 law no. 38/2005	943	A, B, C	943		(15,278)
Profit for the year	102,117		102,117		
Total retained earnings	**928,872**		**908,838**	**0**	**(559,620)**
Total			**1,086,029**		
Non-distributable portion - art. 2426 n. 5 Italian Civil Code					
Residual distributable portion			**1,086,029**		

Key: A: for share capital increase
B: to cover losses
C: for distribution to shareholders

ITALMOBILIARE

(Translation from the original Italian text)

Certification pursuant to article 154 - bis, subsection 5 of the Consolidated Law on Finance relating to the financial statements pursuant to art. 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and supplements

1. The undersigned Carlo Pesenti, Chief Executive Officer and Mauro Torri, Manager in charge of financial reporting of Italmobiliare SpA, certify, pursuant in particular to the provisions of art. 154-bis, subsections 3 and 4, of the legislative decree of 24 February 1998, no. 58:

   - the adequacy in relation to the characteristics of the company and
   - the proper application

   of the administrative and accounting procedures for the preparation of the **financial statements** during the period from 1 January 2017 to 31 December 2017.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the financial statements as of 31 December 2017 is based on a model defined by Italmobiliare in accordance with the COSO framework (documented in the COSO Report) and also takes into account the "Internal Control over Financial Reporting - Guidance for Smaller Public Companies" document, both drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, which represent a reference framework generally accepted at international level.

3. It is also certified that:

   3.1 the financial statements for the year ended 31 December 2017

   a) have been prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) correspond to the contents of the accounting books and records;

   c) are suited to the provision of a truthful and correct representation of the equity, economic and financial situation of the issuer;

   3.2 the report on operations includes a reliable analysis of the performance and operating result, as well as the situation of Italmobiliare SpA, as an issuer, together with a description of the main risks and uncertainties to which they are exposed.

06 March 2018

Signed by: Carlo Pesenti, Chief Executive Officer
Signed by: Mauro Torri, Manager in charge of financial reporting

Report of the Board of Statutory Auditors to the Shareholders' Meeting in compliance with art. 153 of Legislative Decree 58/1998 and art. 2429, paragraph 2, of the Italian Civil Code

Milan, March 23, 2018

To the Shareholders,

In compliance with art. 153 of Legislative Decree 58/1998 ("TUF", consolidated law on finance) and art. 2429, paragraph 2 of the Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders' Meeting called to approve the financial statements on operations performed during the year, as well as on any omissions and exceptionable facts that may have been observed. The Board of Statutory Auditors may also formulate proposals pertaining to the financial statements and their approval, as well as to issues within its sphere of competence.

During the year, the Board of Statutory Auditors carried out its supervisory activities in compliance with the provisions of current law and the conduct guidelines recommended by the National Board of Accountants and by Consob and the Code of Conduct for listed companies.

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Appointment and meetings of the Board of Statutory Auditors

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 19, 2017, and its members are Francesco Di Carlo (Chairman), Angelo Casò and Luciana Ravicini. The alternate auditors are Paolo Ludovici, Alberto Giussani and Giovanna Rita.

The Board of Statutory Auditors has held 13 meetings since its previous report (March 22, 2017) and 13 meetings in 2017.

During 2017, the entire Board of Statutory Auditors or in any case some of its members also attended all the meetings of the Board of Directors (which met 11 times), the Executive Committee (which met only once), 7 of the 8 meetings of the Risks and Sustainability Committee (previously the Control and Risks Committee) and all the meetings of the Committee for Transactions with Related Parties (which met 3 times) and the Remuneration Committee (which met 6 times).

Significant events during the year

The 2017 financial year was characterised by the consolidation of the organisational and investment structure launched following the sale of the investment in Italcementi S.p.A. (on July 1, 2016), which was instrumental to focusing the Investment Holding activity, and in particular by the operations involving:

(i) splitting of the ordinary shares of Italmobiliare S.p.A. according to the ratio of two new ordinary shares in Italmobiliare S.p.A. for each ordinary share, with the aim of facilitating the circulation of shares, increasing the volume of trading between investors and potentially increasing the liquidity of the security itself;
(ii) voluntary PTO launched on April 19, 2017 on a maximum of 4,000,000 ordinary shares in Italmobiliare, which has resulted in the Company holding a total of 5,690,870 treasury shares, equal to around 11.95% of the share capital;
(iii) acquisition of 40% of Tecnica Group;
(iv) sale of the investee company BravoSolution (which took place on December 28, 2017);
(v) merger of Franco Tosi S.r.l. with Italmobiliare S.p.A. (by deed of merger signed on February 26, 2018).

For a full description of significant events during the year ended December 31, 2017, reference should be made to the Directors' Report, which, to the knowledge of the Board of Statutory Auditors, comprehensively outlines the most significant events regarding the Italmobiliare Group in 2017 and up to the date of approval of the financial statements.

Atypical or unusual transactions

According to Communication no. DEM/6064293 of July 28, 2006, atypical and/or unusual transactions are those transactions that, in terms of materiality/significance, nature of the counterparts, object of the transaction, manner of determination of the transfer price and timing of the event (proximity to the end of the financial year), may raise doubts regarding: the correctness/completeness of the information in the financial statements, conflicts of interest, the protection of the company assets, the safeguarding of the minority shareholders".

The Board of Statutory Auditors found no evidence of atypical or unusual transactions during the course of its supervisory activities.

Intragroup transactions or transactions with related parties

In compliance with art. 2391-bis of the Italian Civil Code and the Regulation on transactions with related parties approved by Consob regulation 17221 of March 12, 2010, the company has drawn up and implemented a "Procedure for Transactions with Related Parties" ("TRP Procedure") and has established a "Committee for Transactions with Related Parties" ("TRP Committee").

No changes were made to the TRP Procedure during the period to which this report refers.

The TRP Committee met three times during 2017 to approve the appointment of the Chairman and Secretary for 2017-2019, to examine the existing inter-group contracts and for an induction meeting for Elsa Fornero (co-opted by the Board of Directors on July 27, 2017, to replace Livia Pomodoro, who resigned from her post following an additional examination on the subject of interlocking directorates).

The Board of Statutory Auditors attended all the meetings of the TRP Committee and ascertained that its work was performed correctly.

In 2017, to the extent of our knowledge, the only intragroup transactions entered into, in addition to those described above, essentially consisted of reciprocal administrative services and consultancy on legal, organizational, leasing and financial matters. No anomalies emerged from the Board of Statutory Auditors' analysis of the information made available to it.

A detailed disclosure on transactions with related parties is provided in the Directors' Report, in the notes to the consolidated financial statements as at and for the year ended December 31, 2017, in the Directors' Report and in the notes to the separate financial statements as at and for the year ended December 31, 2017.

Supervisory activities pursuant to Legislative Decree 39/2010

The Board of Statutory Auditors, identified under Legislative Decree 39/2010 as the "Internal Control and Auditing Committee", is required under the decree – as revised by Legislative Decree 135/2016 – to:

a) inform the governing body of the entity being audited of the outcome of the legal audit and to send to that body the additional report as per art. 11 of European Regulation ([1]), accompanied by any observations;

b) monitor the financial disclosure process and present recommendations or suggestions intended to ensure its integrity;

c) check the efficacy of the company's internal quality and risk management control systems and, if applicable, its internal audit, with regard to the financial disclosure of the entity being audited, without infringing on its independence;

d) monitor the statutory audit of the financial statements and the consolidated financial statements, taking into account any results and conclusions of the quality checks carried out by Consob under Article 26 (6) of the European Regulation, where available;

([1]) Regulation (EU) no. 537/2014 ("European Regulation").

e) verify and monitor the independence of the legal auditing company in compliance with articles 10, 10-bis, 10-ter, 10-quater and 17 of the decree and of art. 6 of the European Regulation, especially with regard to the adequacy of the services provided other than the legal auditing of the entity being audited, in compliance with art. 5 of the regulation;

f) be responsible for the procedure for the selection of the legal auditors or the legal auditing company and recommend the legal auditors or the legal auditing company to be designated pursuant to art. 16 of the European Regulation.

You are reminded that, following the amendment of Legislative Decree 39/2010 by Legislative Decree 135/2016, the powers of the Board of Statutory Auditors in its capacity as Internal Control and Auditing Committee were partially modified and that these changes were applied for the first time in the 2017 financial year.

The activities performed by the Board of Statutory Auditors with regard to the 2017 financial year, and the results thereof, are described below.

(a) Report to the Board of Directors and Additional Report

The Board of Statutory Auditors is required to inform the Board of Directors of the Company of the outcome of the statutory audit and to supply it with the additional report referred to in Article 11 of the European Regulation, accompanied by any comments.

In order to fulfil this obligation, the Board of Statutory Auditors conducted a regular exchange of periodic information with the Company in charge of the legal audit, KPMG S.p.A. ("KPMG") obtaining information on the progress and results of the audit in this context.

The Board of Statutory Auditors will supply the Board of Directors with the Additional Report pursuant to Article 11 of the European Regulation received from KPMG, together with any comments that may be useful or necessary to allow the Board of Directors to improve financial reporting.

(b) Monitor the financial disclosure process and present recommendations or suggestions intended to ensure its integrity;

The Board of Statutory Auditors verified the existence of appropriate regulations and processes supporting the process of “preparation” and “publication” of financial disclosures during meetings with the Manager in charge of preparing the company’s financial reports, and with the Head of the Internal Audit Department (who, in turn, monitors the financial disclosure process), each in their own area of concern, obtaining from them an adequate description of the process used to prepare financial disclosures, about the company's administrative and accounting procedures and about the reporting process adopted by the subsidiary companies, also in accordance with art. 114 of the CLF and with Consob guidelines. From the Head of Internal Audit, the Board of Statutory Auditors also learned of the control activities carried out by the same in coordination with the Financial Reporting Manager, focused on the obligations pursuant to art. 154-bis, CLF.

During the financial year, the Company initiated a review of the entire body of procedures with which it is equipped, for the sole purpose of reorganising the same. The work also focused on procedures relating to the process of preparing and publishing financial information. The review of the procedures carried out in this area by the Company did not reveal any need for substantial intervention aimed at redefining the processes of preparing and publishing financial information, which therefore remained unchanged.

The activity carried out by the Board of Statutory Auditors did not reveal any shortcomings or matters to be submitted to the Shareholders' Meeting, nor does the Board of Statutory Auditors have proposals or recommendations to make in order to guarantee the integrity of the financial reporting process.

(c) Supervision of the effectiveness of the internal control, internal audit and risk management systems

The entire Board of Statutory Auditors, or in any case some of its members, attended 7 of the 8 meetings of the Risks and Sustainability Committee (formerly the Control and Risks Committee), some of which were held jointly by the two bodies. During these meetings, the Board of Statutory Auditors ensured a continuous exchange of information with the Committee on the work of the two bodies.

The Board of Statutory Auditors periodically met with the Head of Internal Audit, on occasion during meetings of the Control & Sustainability Committee, and obtained updates on the implementation of the audit plan, and therefore on the audits conducted and their outcome. The Board of Statutory Auditors also received from the head of the internal audit department the reports drawn up upon completion of the individual control activities performed by the department.

Through its meetings with and examination of the documents provided by the head of the internal audit department, the Board of Statutory Auditors ascertained the adequacy and operation of the company's internal control system, compliance with law and with company procedures and processes, and the implementation of the relevant improvement plans recommended by the department.

The Board of Statutory Auditors received and examined the Audit Plan for 2018 ([2]), which it deems adequate. It should be noted that, as was the case last year, the time period taken into consideration by the audit plan is just one financial year; the decision, supported by the Board of Statutory Auditors, not to prepare a multi-year plan was determined by the need to take into account the ongoing evolution of the company's and the Group's operations after the sale to HeidelbergCement in 2016 of the entire shareholding in Italcementi and the ongoing consolidation of the investment and organisational structure.

With regard to the subsidiaries that are excluded from the Company's audit plan, as they have their own Internal Audit Departments, the Head of Internal Audit Department and the Control & Sustainability Committee proceeded to examine and assess reports received from the audit departments of these companies. The reports prepared by the relevant departments of the Sirap Group, Clessidra SGR and Crédit Mobilier de Monaco showed that these companies' internal audit and risk management systems are adequate ([3]).

During the financial year, the Board of Statutory Auditors continuously verified the adequacy of the Company's Internal Audit Department (especially as regards available resources) considering the evolution of the Italmobiliare Group, characterised during the year by the acquisition of 40% of Tecnica Group, the sale of the investee company BravoSolution SpA and the merger of Franco Tosi S.r.l. with Italmobiliare S.p.A. Based on all of the above, and, specifically, the information gathered from the Risks and Sustainability Committee and the Head of the Internal Audit Department, it emerged that the powers, resources and tools made available to the Head of the Internal Audit Department by the company's Board of Directors in the period covered by this Report were adequate and appropriate.

In light of the results of the activities carried out, of the information received from the Risks and Sustainability Committee and gathered from meetings with the Internal Audit Department, and provided by the latter in the related Annual Reports, the Board of Statutory Auditors is of the opinion that the internal control system and the Internal Audit Department and their effectiveness are substantially adequate.

At the same time, also in the current financial year, the task of the Board of Statutory Auditors has been and will be to ensure ongoing verification of (i) the adequacy of the Company's Internal Audit Department, as well as (ii) the adequacy of the internal control and risk management systems (SCIGR) of the Group companies which have their own independent Internal Audit Department, particularly considering the ongoing consolidation of the company's investment and organisational structure. A specific area of attention will continue to be the separation between the investment activities carried out by Italmobiliare and Clessidra respectively.

It should be noted that the Company has not established an independent risk management department, entrusting this to the Manager responsible for the identification, analysis and management of business risks, in coordination with the other company departments involved. At the same time, the undersigned Board of Statutory Auditors was

([2]) We should point out that during 2017 the scope of the audit changed with the transfer of the subsidiary BravoSolution, subsequently sold, to a group of companies with an independent Internal Audit Department.
([3])It should be noted that, for the purposes of the Annual Internal Audit Report on the Company's internal control and risk management system, the Company's Internal Audit Department has not included the assessment of BravoSolution SpA in the "Assessment on the suitability of the internal control and risk management system" (SCIGR) - Group companies with their own independent IA department", as it was sold at the end of 2017. As stated in the aforementioned annual report of the Head of the Internal Audit Department, there was active coordination with the BravoSolution Internal Audit Department in 2017, initially for the purpose of monitoring the process of strengthening the governance and, subsequently, for the handover of responsibilities, support and assistance to the new Internal Audit Function, in addition to the activation of information flows to the Company's Internal Audit Department.

periodically updated by the Head of the Internal Audit Department of the risk management activities carried out within the Group; participated in the meetings of the Risks and Sustainability Committee, assessing in this context the activities performed by it in relation to risk management at the Group level. Consequently, the Board of Statutory Auditors is of the opinion that operating risks are adequately monitored at the Group-wide level, although the need for an autonomous risk management department will need to be re-examined in the future, in the light of developments in the Group and the operating environment, so as to ensure adequate control of risks that could potentially arise from the activities of the company and the subsidiaries.

(d) Monitoring of the statutory audit of the financial statements and consolidated financial statements

The Board of Statutory Auditors periodically met with the management of the independent auditors (KPMG S.p.A.) to exchange information as planned. During the meetings held, the Board of Statutory Auditors was informed of the fundamental issues that emerged during the audit, which concerned valuation and, in particular, impairment issues, as well as the main implications of the transactions that characterised the 2017 financial year, namely:

(i) the sale of BravoSolution. On December 28, 2017, the Company and Accell-KKR finalised the agreement for the creation of a best in class group in e-Procurement through the integration of the respective subsidiaries BravoSolution and Jaggaer (SciQuest Inc.). Under this agreement with Jaggaer, the Company transferred the entire shareholding in BravoSolution, equal to approximately 82.74% of the capital of BravoSolution S.p.A., to Dogwood Buyer S.r.l., a company wholly owned by SciQuest Inc. (4);

(ii) acquisition of the shareholding in Tecnica Group. The Company and the Zanatta family, the controlling shareholder in the Tecnica Group, finalised an agreement on November 30, 2017 for Italmobiliare to acquire a stake in the Tecnica Group. The transaction expected that, following a detailed project to simplify the shareholding and rebalance Tecnica's financial situation, Italmobiliare would acquire a qualified minority shareholding of 40%. As part of the transaction, Italmobiliare (1) bought Tecnica Group shares from the parent company Prime Holding and (2) subscribed to a capital increase in Tecnica.

Furthermore, the Board of Statutory Auditors discussed with the independent auditors the significant accounting issues pointed out to it by KPMG itself.

This Board of Statutory Auditors is not aware of any checks carried out by Consob under article 26 (6) of the European Regulation.

(e) Auditing and monitoring of the independence of the independent auditors, in particular as regards the provision of non-auditing services.

The Board of Statutory Auditors monitored the independence of the independent auditors, taking note of the internal authorisation procedure adopted by KPMG as part of the monitoring system for the engagement of non-audit services provided by companies belonging to the KPMG network in respect of Italmobiliare Group companies. The procedure allows preventive monitoring of the acceptance of assignments that might prejudice the independence of KPMG and was found to be in line with the market standards known to the members of the Board of Statutory Auditors. Furthermore, with effect from January 1, 2017, the Board of Statutory Auditors and the independent auditors have defined the information flows needed to issue authorisations for the provision of non-audit services (NAS) by KPMG, pursuant to Article 5 (4) of the European Regulation.

The Board of Statutory Auditors has also received from the independent auditors the annual confirmation of independence pursuant to Article 6 (2) (a) of the European Regulation and pursuant to paragraph 17 of the international auditing standard (ISA Italia 260). In particular, in exchanges of information and communications to the Board of Statutory Auditors, KPMG has confirmed to the Company that, on the basis of the information obtained and the checks carried out, taking into account the regulatory and professional principles governing the auditing activity,

([4]) The sale agreement for the shares in BravoSolution stipulated with SciQuest provided for agreements applicable during the interim period up to the sale, contractual guarantees and potential indemnity obligations, in the standard forms for similar transactions. After the completion of the sale, in January 2018 the Company received a demand from the purchaser to apply the aforementioned agreements. At the time of writing this Report, KPMG are examining the validity and contractual treatment of the demand received, with the assistance of their legal advisers.

in the period from January 1, 2017 to the date of the aforementioned communication, the ethical principles set forth in articles 9 and 9-bis of Legislative Decree 39/2010 were respected and no situations have been found that have compromised the independence of the independent auditors pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and of Articles 4 and 5 of the European Regulation. KPMG also confirmed that no reports or other issues with the Company were found that are reasonably likely to have an effect on independence.

In the 2017 financial year, the Board of Statutory Auditors, at the request of KPMG, issued 8 authorisations relating to the potential acceptance of assignments for non-audit services pursuant to article 19, paragraph 1, letter e) of Legislative Decree 39/2010 and of the Article 5 (4) of the European Regulation, as they are deemed compatible with the independence requirements of the independent auditors.

In the year ended December 31, 2017, KPMG S.p.A. and the companies in its network received a total of 1,193 thousand euro from the Italmobiliare Group (as compared to 1,344 thousand euro in the year ended December 31, 2016), broken down as follows: 850 thousand euro for auditing (as compared to 764 thousand euro in the year ended December 31, 2016) and 342 thousand euro for various other services (as compared to 580 thousand euro in the year ended December 31, 2016).

Note that the remuneration received by the independent auditors in respect of the NAS for the Italmobiliare Group in the financial year 2017 represents a total of approximately 22% of the total remuneration received by the same in the same period for the provision of statutory auditing services to Italmobiliare Group companies. This limit is lower than the maximum threshold established by Article 4 of the European Regulation, assessed with regard to the 2017 financial year only (as it is still less than three years since the entry into force of the European Regulation and the amendments to Legislative Decree 39/2010): pursuant to the European Regulation, the maximum limit which fees for non-audit services cannot exceed over a three-year period in order not to compromise the independence of the independent auditors, is in fact 70% of the average fees paid to the company for auditing activities in the last 3 financial years. The Board of Statutory Auditors will continue to monitor the ratio between the remuneration paid for the provision of NAS and the statutory audit, when examining requests from KPMG for authorisation to accept assignments for non-audit services pursuant to article 19, paragraph 1, letter e) of Legislative Decree 39/2010 and article 5 (4) of the European Regulation.

Furthermore, between January 1, 2018 and the date of preparation of this report, companies in the KPMG S.p.A. network submitted a request for authorisation to provide non-audit services, for fees of approximately 110,000 euros, to the Board of Statutory Auditors, which authorised it as it was deemed compatible with the independence requirement.

In light of the above, in the opinion of the Board of Statutory Auditors, the non-auditing services provided to the Italmobiliare Group by companies in the KPMG network do not affect the independence of the independent auditors.

(f) Selection of the legal auditing company

KPMG has been entrusted with the legal audit of Italmobiliare S.p.A. pursuant to Legislative Decree no. 39 of January 27, 2010, for the nine financial years ending between December 31, 2010 and December 31, 2018.

When appointing a new company in charge of the statutory audit, the Board of Statutory Auditors will be required to perform the functions set forth in Article 16 of the European Regulation.

For completeness, with regard to the financial year 2017, we hereby report that KPMG submitted an Appointment letter to perform the limited examination of the Consolidated Non-Financial Statement drafted pursuant to Legislative Decree no. 254 of December 30, 2016 with reference to the financial years ending between December 31, 2017 and December 31, 2018. Even though assignments of this nature are not within the scope of the European Regulation and Legislative Decree no. 39/2010 and, in general, the Board of Statutory Auditors is not required to submit a reasoned proposal, nor to formulate an opinion, in relation to assignments of this nature, other than authorising the drafting of a proposal for appointment (as it is a non-audit service) pursuant to article 19 of Legislative Decree 39/2010, the undersigned Board of Statutory Auditors, in any case, deemed it appropriate to examine the Appointment letter presented by KPMG to the Company and, following that analysis, voluntarily expressed its favourable opinion regarding the assignment to KPMG.

Separate and consolidated financial statements

As regards the separate and the consolidated financial statements for the year ended December 31, 2017, while the duties of the legal audit and, therefore, the opinion on the separate and the consolidated financial statements are the exclusive domain of the independent auditors, KPMG, it should be noted that:

- the Board of Statutory Auditors supervised the Board of Directors’ compliance with the procedural regulations regarding the preparation of the separate and the consolidated financial statements, as well as their general layout and their overall compliance with the law in terms of form and structure, and has no observations to make in this regard;
- the separate and the consolidated financial statements for the year ended December 31, 2017 were prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, in force as of December 31, 2017, which are duly illustrated in the notes;
- the separate and the consolidated financial statements for the year ended December 31, 2017 are consistent with the facts and information the Board of Statutory Auditors learned while attending meetings of the Board of Directors and the Executive Committee and in carrying out its supervisory activities;
- the Board of Statutory Auditors monitored the impairment testing activities performed by the company, with the support of external professionals, which were checked by the independent auditors;
- the provisions of article 154-ter, paragraph 154-ter, Legislative Decree 58/98, and, in particular paragraphs 1-bis and 1-ter, were complied with.

As stated above, the Board of Statutory Auditors periodically met the independent auditors, KPMG, for an on-going exchange of information on the supervisory activities carried out by both parties. No critical issues worthy of note emerged.

The Board of Statutory Auditors has examined the reports prepared by the independent auditors on the separate financial statements and the consolidated financial statements for the year ended December 31, 2017, and noted:

- the opinions on the separate financial statements and the consolidated financial statements for the year ended December 31, 2017 contained therein, from which it emerges that they comply with the regulations governing their preparation and provide a truthful and accurate view of the financial position and the results of operations, both of the company and at the consolidated level;
- that there are no emphasis-of-matter paragraphs in the reports;
- the opinions regarding the consistency and conformity of the Directors’ Report on company operations and the Directors’ Report on Group Operations with, respectively, the financial statements and the consolidated financial statements, as well as with the information contained in the Report on Corporate Governance and Ownership Structure, insofar as they relate to the provisions of art. 123-bis, paragraph 1, clauses c), d), f), l) and n) and paragraph 2 ,clause b), of Legislative Decree 58/98.

The Board of Auditors has also viewed the Certification Reports prepared by the Managing Director and by the Manager in charge of preparing the company's accounting documents under art. 154-bis, paragraph 5 of Legislative Decree 58/98 regarding the separate and the consolidated financial statements and acknowledges the completeness of their content.

Directors’ reports on company operations and on Group operations

The Board of Statutory Auditors verified the contents of the Directors’ Report on company operations and the Directors’ Report on Group operations. The reports summarize the main risks and uncertainties and provide a business outlook for the company and the Group.

Having examined the Reports, the Board of Statutory Auditors, to the best of its knowledge, found them to be complete with respect to the current provisions of law and to the transparency of the disclosures therein.

Non-financial information declaration

In light of the amendments made to Legislative Decree 254/2016 on the communication of non-financial information ("NFI"), implementing Directive 2014/65/EU, the Company’s Board of Directors, in the meeting held on November 6, 2017, assigned specific tasks to the Risks and Sustainability Committee in relation to sustainability issues and, in particular, for the supervision of the first application of new obligations (applicable as of the financial statements for the year ended 31.12.17).

In drafting the NFI, the Company was supported by Deloitte and based the reporting model on the GRI (Global Reporting Initiative) standard.

The Board of Statutory Auditors monitored the drafting of the NFI and will continue to monitor the activities connected to it, verifying not only the fulfilment of the obligations imposed by the law, but also and above all the suitability of information flows, so that the systems and methods of collection, treatment and consolidation of data for the preparation of the NFI ensure completeness, accuracy, truthfulness and verifiability of the entire data flow.

The Board of Statutory Auditors has reviewed the Report prepared by the independent auditors on the consolidated non-financial statement, in respect of which KPMG has been appointed to carry out a limited examination (limited assurance engagement), as a result of which it acknowledged that no elements have been brought to its attention that would lead it to believe that the declaration itself has not been drafted, in all significant aspects, in compliance with the regulations and the Global Reporting Initiative Sustainability Reporting Standards defined in 2016 by the Global Reporting Initiative.

Other activities of the Board of Statutory Auditors and disclosures required by Consob

In carrying out its activities, the Board of Statutory Auditors, as required by art. 2403 of the Italian Civil Code and art. 149 of the TUF, supervised compliance with the law and the by-laws, as well as with the principles of proper governance and, especially, the adequacy of the organizational, management and accounting structure of the company.

In accordance with art. 2405 of the Italian Civil Code, the Board of Statutory Auditors attended all the meetings of the Board of Directors and the Executive Committee and obtained periodic information from the directors on general operations, on the expected business outlook, as well as on the most significant financial and business transactions performed by the company. It ensured that the decisions taken were not manifestly imprudent, risky, in potential conflict of interest, in conflict with shareholder resolutions or such as to compromise the solidity of the company assets. The Board of Statutory Auditors also attended shareholders' meetings and special meetings of savings shareholders.

The Board of Statutory Auditors received and examined the Report on corporate governance and ownership structure, which adequately and fully illustrates the company’s compliance with the Code of Conduct for listed companies.

As regards the governance bodies, the following should be noted:

- at the date of this report, the Board of Directors – appointed on April 19, 2017 – is made up of 14 directors, 7 of whom possess the requirements of independence envisaged in the Code of Conduct. The Board of Directors held 11 meetings in 2017;
- the Executive Committee is made up of 5 directors and met once in 2017. The Executive Committee of the company has the same duties as the Board of Directors – with the sole exception of those that may not be delegated – and therefore only meets when, in the event of urgent matters, organization of a Committee meeting is more practical than calling a meeting of the Board of Directors;
- the Risks and Sustainability Committee is made up of 3 directors, 2 of whom possess the requirements of independence envisaged in the Code of Conduct. In 2017, the Risks and Sustainability Committee held 7 meetings;

- the Remuneration Committee consists of 3 Directors, all of whom meet the independence requirements stated in the Code of Conduct. The Remuneration Committee held 6 meetings in 2017, to examine and approve the remuneration policy for executive directors with special powers and managers with strategic responsibilities, and made recommendations to the Board of Directors regarding remuneration of directors and managers;
- the TRP Committee is made up of 3 independent directors. The TRP Committee met three times during 2017 to approve the appointment of the Chairman and Secretary for 2017-2019, to examine the existing inter-group contracts and for an induction meeting for Elsa Fornero (co-opted by the Board of Directors on July 27, 2017, to replace Livia Pomodoro, who resigned from her post following an additional examination on the subject of interlocking directorates).

By attending the meetings of the various governance bodies, as indicated by the Code of Conduct, the Board of Statutory Auditors was able to ascertain that the Board of Directors had carried out its various duties; the Board of Statutory Auditors was also able to ascertain the correct functioning of the Executive Committee, the Risks and Sustainability Committee, the Remuneration Committee and the Committee for Transactions with Related Parties, as regards the provisions of the Code of Conduct and the procedure for transactions with related parties.

As part of its supervisory activities and for the purposes of constant exchanges of information, the Board of Statutory Auditors periodically met:

- the independent auditors, for an on-going exchange of information regarding activities performed;
- the Risks and Sustainability Committee;
- the Chief Executive Officer;
- the head of the Internal Audit department, receiving from him information on the outcome of his activities;
- the members of the Supervisory Board, formed pursuant to Legislative Decree no. 231 of June 8, 2001, and received from them information on the outcome of their supervisory activities, supported by the Supervisory Board Reports to the Board of Directors. The reports reveal that no anomalies or exceptionable facts were encountered and that the Supervisory Board had received no indications from parties within or outside the company regarding alleged breaches of the Organizational and Management Model or the related procedures;
- the Manager in charge of preparing the company's financial reports;
- the Company's Legal Department.

During the above supervisory activities, no omissions, exceptionable facts or irregularities warranting a report to the relevant external supervisory and monitoring bodies or a mention in this report were encountered.

During the year, the Board of Statutory Auditors received no complaints under art. 2408 of the Italian Civil Code or petitions, nor was the Board of Statutory Auditors required to provide any of the opinions envisaged by current regulations in force in addition to those envisaged by art. 2389, paragraph 3, Italian Civil Code, with regard to the remuneration of directors with special duties.

* * *

In consideration of the above and to the extent of its competence, the Board of Statutory Auditors, supported by the report prepared by the independent auditors and its opinion on the financial statements, has no grounds to oppose the approval of the financial statements as at and for the year ended December 31, 2017 prepared by the Board of Directors and has no objections to the proposals made to the Shareholders' Meeting by the Board of Directors.

The Board of Statutory Auditors

Francesco Di Carlo

Angelo Casò

Luciana Ravicini

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Italmobiliare S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Italmobiliare S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Italmobiliare S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of Italmobiliare S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of investments in subsidiaries and associates

Notes to the separate financial statements, paragraphs "Use of estimates" and "Equity investments in subsidiaries and associates".

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 include investments in subsidiaries and associates of €289.1 million measured at cost. At each reporting date, the directors check whether there are any indicators of impairment of the investments. Based on this analysis and the goodwill related to the subsidiaries Sirap Gema S.p.A. and Clessidra SGR S.p.A. recognised in the consolidated financial statements, the directors, assisted by an advisor, tested these investments with a combined carrying amount of €69.9 million for impairment to check whether their carrying amount exceeded their recoverable amount. The criteria applied and related results were approved by the Company's board of directors on 24 January 2018 and 6 March 2018, respectively. The directors estimated the recoverable amount based on the subsidiaries' value in use, calculated using the discounted cash flow model by discounting the cash flows that are expected to be generated by the subsidiaries over an explicit forecast period and in subsequent periods ("terminal value"). For impairment testing purposes, the directors used the forecast cash flows set out in the 2018 budgets approved by the subsidiaries' boards of directors and the relevant 2019-2022 projections prepared by them (the "Plans"). Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the	Our audit procedures, which also involved our own valuation specialists, included: — understanding the processes adopted to identify the indicators of impairment, impairment testing and the preparation of the Plans; — analysing the directors' review process in relation to the discrepancies between the 2017 actual data and the related previous forecasts in order to assess the accuracy of the forecasting process adopted; — analysing the reasonableness of i) the key assumptions used by the directors to determine the expected cash flows and value in use and ii) the valuation models adopted. We also compared the key assumptions used to the subsidiaries' historical figures and external information, where available; — checking the sensitivity analysis presented by the directors in the notes, in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about investments in subsidiaries and associates and related impairment tests.

Key audit matter	Audit procedures addressing the key audit matter
subsidiaries' sector and the actual cash flows in recent years; — the financial parameters to be used to discount the cash flows mentioned above. Considering the above, we believe that the measurement of investments in subsidiaries and associates is a key audit matter.	

Classification and measurement of financial assets (securities, fund units, loan assets and other equity investments)

Notes to the separate financial statements, paragraphs "Use of estimates", "Other non-current equity investments", "Other non-current assets" and "Equity investments, bonds and current loan assets".

Key audit matter	Audit procedures addressing the key audit matter
The Company's main business activities include the acquisition, sale and holding of financial assets. At 31 December 2017, its separate financial statements include financial assets (securities, fund units, loan assets and other equity investments) of €796.2 million equal to 60% of total assets. At 31 December 2017, the Company's portfolio of financial assets measured at fair value comprises listed securities of €597.1 million at level 1 in the fair value hierarchy and almost entirely classified as available for sale, and financial assets of €26.8 million and €135.7 million, identified by directors at fair value hierarchy levels 2 and 3, respectively, which do not have quoted prices on an active market. Given the composition of the above-mentioned portfolio of financial assets, the Company is particularly exposed to the price fluctuation risk of listed securities measured at fair value. The Company has adopted a specific policy to measure impairment of listed equity securities classified as available for sale. In addition to qualitative factors, this policy considers whether there is a significant or prolonged decline in the equity instrument's fair value below its carrying amount that exceeds the set thresholds, in which case the loss is recognised in profit or loss rather than in equity (OCI). The measurement of financial assets at fair value hierarchy levels 2 and 3 entails a significant level of judgement by the	Our audit procedures, which also involved our own valuation specialists, included: — understanding the processes adopted for the acquisition, sale, classification and measurement of financial assets; — checking, on a sample basis, the appropriate classification of financial assets based on the relevant fair value level; — analysing, for a sample of listed securities with fair value level 1 classified as available for sale, the year-end quoted prices and the application of the accounting policy for the recognition of fair value changes in equity (OCI) or profit or loss; — analysing, for a sample of financial assets with fair value levels 2 and 3, the reasonableness of the valuation techniques, the significant inputs and their actual application by the directors for measurement purposes; — assessing the appropriateness of the disclosures provided in the notes about financial assets and their fair value levels.

Key audit matter	Audit procedures addressing the key audit matter
directors, as the definition of the relevant valuation techniques and significant inputs is fairly complex. Considering the above, we believe that the classification and measurement of financial assets is a key audit matter.	

Assessment of pending litigation and disputes

Notes to the separate financial statements, paragraphs "Use of estimates" and "19) Provisions".

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 comprise provisions for litigation and disputes of a contractual, tax and legal nature amounting to €33.9 million. Assessing these provisions is complex and requires a high level of subjectivity and uncertainty from directors in estimating the outcome of the litigation and disputes, the risk of losing and the timing for their settlement. For the above reasons, we believe that the assessment of pending litigation and disputes is a key audit matter.	Our audit procedures, which also involved our own tax specialists, included: — understanding the process for measuring provisions for litigation and disputes and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — analysing the discrepancies between the past year's accounting estimates of the effect of litigation and disputes and the actual figures resulting from their subsequent settlement, in order to check the effectiveness of the estimation process; — sending written requests for information to the legal advisors assisting the Company about the assessment of the risk of losing pending litigation and disputes and the quantification of the related liability; — for the main litigation and disputes, analysing the assumptions used to determine their effect through discussions with the relevant internal departments and advisors and analysis of the supporting documentation; — discussing assumptions or scenarios alternative to those used to calculate the effect of litigation and disputes and the reasons for their rejection with the relevant internal departments; — analysing the events after the reporting date that may provide useful information for the measurement of provisions; — assessing the appropriateness of the disclosures provided in the notes about provisions.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Italmobiliare S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 29 April 2010, the shareholders of Italmobiliare S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2010 to 31 December 2018.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Italmobiliare S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Italmobiliare S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 23 March 2018

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director

Sustainability Report
Consolidated non-financial statement in accordance with the Legislative Decree no. 254/2016

Methodology

The present consolidated non-financial statement (hereafter also referred to as “**Sustainability Report**”) has been prepared in accordance with the Legislative Decree no.254/16. As foreseen by article 5 of the Legislative Decree no.254/16, this document constitutes a separate report marked with a specific heading, to allow its reconciliation with the consolidated non-financial statement required by the regulation.

This documents covers, to the extent necessary for an understanding of the undertaking's development, performance, position and impact of the business activity on **matters deemed significant as set out in articles 3 and 4 of Legislative Decree no. 254/16, with reference to 2017 financial year** (from January 1st to December 31st). The identification of the material aspects for the Group and its stakeholders was performed through a structured materiality analysis, which is described in the “Sustainability Management” paragraph.

The scope of the **economic and financial data** is the same as the one used in the Consolidated Financial Statements of the Italmobiliare Group at December 31, 2017.

The scope of the **social data and information** refers to all companies consolidated on a line-by-line basis in the Consolidated Financial Statements[1] of Italmobiliare Group and deemed significant for the reporting of these issues. Given the absence of significant social and environmental impacts and risks and for the lack of relevance in ensuring an understanding of the business activity of Italmobiliare Group, Italmobiliare Servizi Srl, Franco Tosi Srl, Punta Ala Sviluppo Immobiliare Srl, SEPAC and Crédit Mobilier de Monaco have not been included in the scope of this Sustainability Report. Moreover, BravoSolution Group has been excluded given its sale in December 2017 and the consequent lack of data for 2017. The scope of supply chain data does not include Clessidra SGR S.p.A., as the related information is considered immaterial.

The scope of the **environmental data and information** corresponds to that of the production sites of the companies that operate in the industrial sector (SIRAP Group and Italgen S.p.A.) and does not include commercial offices, as these were not considered relevant for ensuring the understanding of the business activities of the Group and the relevant impact. The reporting for energy consumption and related CO_2 emission data also includes the office in Milan of Italmobiliare S.p.A.

The data related to 2016, where available, has been included for comparative purposes so to facilitate the assessment of development of the business activity. It should be noted that the data related to Italgen S.p.A and Clessidra SGR S.p.A. refers to the whole of 2016 to allow a comparison consistent with the 2017 financial year, even though the companies were consolidated in June and October, respectively. In addition, to give a correct representation of the performance and to guarantee the reliability of the data, the use of estimations has been limited as much as possible. In cases where estimates were used, these were made using the best methods available and appropriate disclosure has been made.

With reference to **significant variations to the structure of Italmobiliare Group that occurred in 2017,** it should be pointed out that:

- The plan to merge the subsidiary Franco Tosi S.r.l into the parent Italmobiliare S.p.A was approved in September; with accounting and effect as from January 1 2018;
- The acquisition of 40% of the capital of Tecnica Group was finalized in November;
- The sale of BravoSolution Group was finalized in December.

The 2017 Sustainability Report has been prepared in accordance to the «Core» option of the «**GRI Sustainability Reporting Standards**», published in 2016 by the Global Reporting Initiative (GRI). Additionally, the "Electric Utilities

[1] For the companies consolidated on a line-by-line basis, reference is made to the table in the “Annex” on the Annual report of Italmobiliare Group at December 31, 2017.

Sector Disclosures" and the "Financial Services Sector Disclosures", both published by the Global Reporting Initiative in 2013, have been considered.

Integral to this document is the “Annex”, which provides further details and contains the tables that provide the evidence of the thorough coverage of the GRI indicators concerning every matter that was identified as material.

The Group has implemented a process of non-financial information reporting that involved its subsidiaries, both during the definition of the material topics and through the sharing of the reporting model defined by the parent.

The guiding principles underlying Italmobiliare S.p.A’s sustainable **investment policy** set out basic guidelines in terms of responsibility and sustainability, and act as a guarantee not only for the Group’s shareholders but for all of its stakeholders, and allows to maintain a flexible approach in terms of specific investment choices within a balanced portfolio.

The Italmobiliare Group has adopted a **Code of Ethics** that expects all employees and those who establish any type of relationship with the Group or that operate to pursue its objectives, to do so in accordance with the principles of **honesty, fairness, integrity, transparency, confidentiality and mutual respect.**

Italmobiliare S.p.A. and its subsidiaries also adopt an **Organizational, management and control Model in accordance with Legislative Decree no. 231/2001** (**hereafter also “231 Model” or “Model”**), founded on a preliminary risk assessment.

Within the scope of the risk assessment management system of the parent and its subsidiaries, no significant residual risks were identified in relation to environmental, social and personnel issues, human rights or in relation to the fight against active and passive corruption. Nevertheless, the Group aims at extending the scope of the risk analysis through the greater integration of sustainability issues. For further information on the main risks to which the Group is exposed, please refer to the “Governance and Risk Management” section of this document.

THE FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION

The fight against corruption is governed by the 231 Model adopted by the parent and its subsidiaries and through the Code of Ethics. This stipulates that any relation between the Group and third parties must be managed without resorting to illicit means: **practices of corruption**, illegitimate favors, collusive behavior, personal advantages or requests of benefits for others are explicitly **prohibited**. In this regard, Italmobiliare S.p.A., as well as its subsidiaries, has had in place a reporting system through reserved channels (so-called *Whistleblowing*) for a long time.

SOCIAL ISSUES, CONCERNING PERSONNEL AND THE RESPECT OF HUMAN RIGHTS

The Italmobiliare Group observes and supports the universal human rights principles and adopts a **human resources management model** in which the individual is at the center of the Group’s success. The Group Code of Ethics stipulates that the relationships between employees must be founded on the **mutual respect of the rights and freedom of individuals** and that discrimination or retaliations must not be initiated for reasons of nationality, religious belief, political and trade union affiliation, language or sex. For more information on the Group’s policies please refer to the sections “Diversity, equal opportunities and well-being” and “Health and safety of the employees”.

Italmobiliare S.p.A, being aware of the fundamental importance of the health and safety of its employees, has adopted a **safety management system**. Among the subsidiaries controlled, SIRAP Group stands out for its special attention to safety at work issues and its "**zero accidents**" objective. For Italgen, health and safety at work are fundamental values to be integrated in all of its activities and the attention towards such issues is demonstrated by its **Health and Safety Policy**.

ENVIRONMENT

In relation to the protection of the environment while conducting its business activities, Italmobiliare Group **promotes the proper use of resources and the respect of the environment**. Specifically, the parent supports the portfolio companies in the development of efficient energy management through actions, programs and management systems; it also promotes, also with the implementation of sustainable investments, the reduction of energy consumption from fossil fuels and the production and/or purchase of energy from renewable sources. Over the years, the SIRAP Group has dedicated increasing attention to environmental protection: during 2017 it adopted the new **Integrated Business “Development-Quality-Safety-Environment” Policy** focused on safeguarding the environment, and has launched the **“Full Certificate Project”**, a program that will unfold throughout 2016-2018 with the aim of achieving a certified environmental management system for all production sites. Italgen has also adopted an **Environmental Policy** and has set up an **integrated Management System for the environment and quality in compliance with ISO 14001 and ISO 9001 standards.**

Lastly, it should be noted how Clessidra manages the issues listed above by committing itself to the consideration of **ESG (Environmental, Social, Governance) aspects in the evaluation and selection of its own investments**, formalizing the inclusion of ESG themes into its investment procedures, and complying with the **United Nations Principles for Responsible Investment (UN PRI)**.

The Italmobiliare Group remains committed to a **continuous improvement process on all sustainability aspects** to improve its compliance with the best practices in the industry and with the new legislation and related interpretative documents concerning non-financial reporting (including Consob’s Regulation implementing the Legislative Decree no.254 of the December 30, 2016, concerning the disclosure of non-financial information) and their potential future developments.

In particular, a sustainability reporting procedure is expected to be finalized and subsequently adopted by the parent and its subsidiaries in 2018.

The Italmobiliare Sustainability Report is prepared on an annual basis: the 2017 version has been submitted to the scrutiny of the Risks and Sustainability Committee on March 1st 2018 and was subsequently approved by the Board of Directors of Italmobiliare S.p.A on March, 6 2018.

The Report is also **subject to a review** (“limited assurance engagement” in accordance with the criteria indicated by the ISAE 3000 Revised principle) by KPMG S.p.A which, at the end of its work, releases a specific report on the consistency of the information provided in the consolidated non-financial statement prepared by Italmobiliare S.p.A. in accordance with the Legislative Decree no. 254/16.

The 2017 Sustainability Report is also published on the Group’s website: www.italmobiliare.it.

1. Italmobiliare Group

Revenues and income: 507.6 million euro

Employees: 1,378

Self-produced energy from renewable sources: 914,704.4 GJ

Italmobiliare S.p.A.

EFIPARIND BV, a Dutch company controlled by the Pesenti family, is the majority shareholder of Italmobiliare S.p.A., an **Investment Holding** which holds and manages a diversified investments and equities portfolio with a strategic vision underpinned by a financial and industrial history of over a hundred and fifty years.

The Company, founded in **1946 and listed in the Milan Stock Exchange since 1980**, is one of the largest Italian holding companies and operates throughout the entire national and European territory through the production activities of the main subsidiaries.

1946

Italcementi, founded in 1864, separated in Italmobiliare investments other than those from the construction material sector

1952

Share of Franco Tosi is acquired

1962/78

Diversification of investments, including RAS, IBI, Falck, Bastogi

1979/80

In 1979 Italmobiliare becomesthe holding company of the entire group, taking over the majority of Italcementi S.p.A. ordinary shares, and in 1980 is listed on the Milan Stock Exchange.

1982/86

Focus of portfolio on Italcementi and sale of some financial holdings (Ras, IBI)

1992/93

1993 Following a privatization process, italmobiliare enters the Italian Credit capital.

1994/95

Diversification of the portfolio

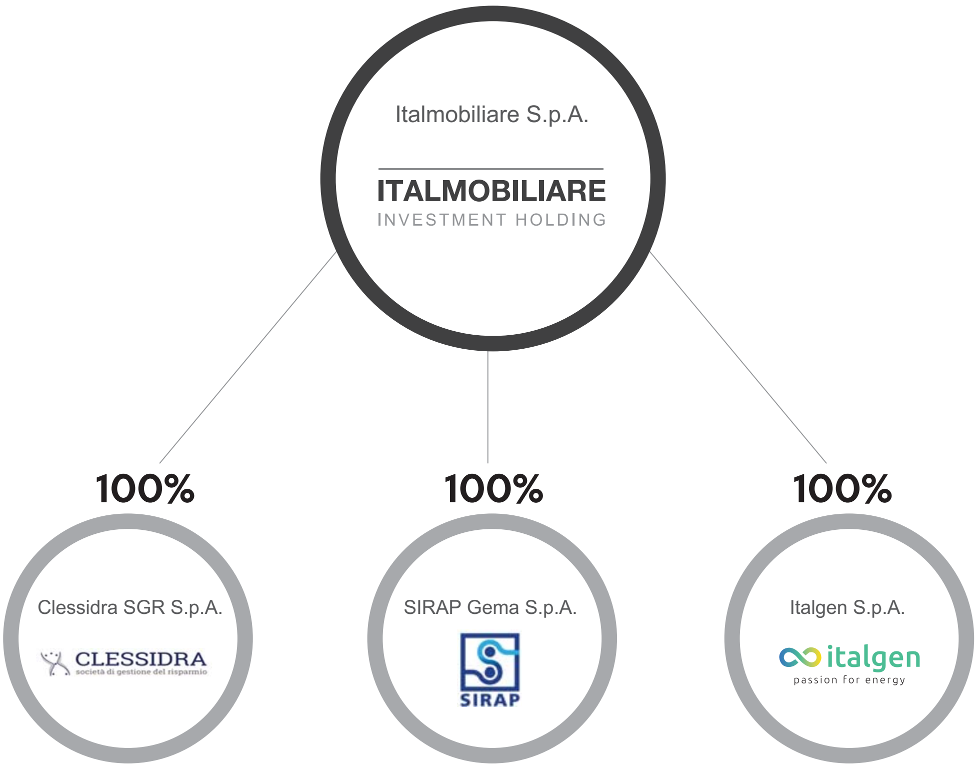
2016

In 2016, the investment in the Fund II of BDT Capital Partners, private equity with US focus, is implemented; equity investment in Italgen and BravoSolution is acquired by Italcementi; the equity investment in Italcementi is sold to HeidelbergCement, with entry in the capital of the German company; the saving shares are converted into ordinary shares and in September Italmobiliare enters the Private equity sector by purchasing Clessidra SGR and through the subsequent investment in the CCP3 fund.

The **noteworthy events** involving Italmobiliare in **2017** were:

- September: approval of the merger of Franco Tosi S.r.l into the parent Italmobiliare S.p.A; the accounting and tax effect of this merger began on January 1, 2018;
- November: finalization of the purchase of 40% of the capital of Tecnica Group;
- December: sale of BravoSolution Group to the American company Sci Quest Inc. with simultaneous acquisition of 9.5% of the capital of the company SciQuest TopCo LLC, operating in the e-procurement sector.

The Italmobiliare Group at December 31, 2017[2]



The main subsidiaries of Italmobiliare S.p.A, included in this Sustainability Report, are:

Clessidra SGR S.p.A., an asset management company registered in the relevant register held by Banca d'Italia, is the main manager of Private Equity Funds exclusively dedicated to the Italian market through the Clessidra Capital Partners (CCP), Clessidra Capital Partners II (CCPII) and Clessidra Capital Partners 3 (CCP3) Funds;

[2] This representation includes the subsidiaries that are relevant for the present Sustainability Report; the subsidiaries which are not deemed material for the reporting of economic, environmental and social topics, are reported in the 2017 Financial Report.

SIRAP Gema S.p.A., the parent of SIRAP Group, is the Italian market leader in the production and sale of containers for fresh food and is one of the most qualified producers in Europe. In addition to the headquarters in Verolanuova, it consists of six plants in Italy, two in France, one in Poland, one in Hungary and several commercial offices in Europe;

Italgen S.p.A., produces and distributes electricity generated by renewable sources for national and international markets. On the Italian territory, Italgen owns 15 hydroelectric plants, a photovoltaic plant and over 300 kilometers of transmission lines. Abroad, it has contributed to the construction of wind farms in Bulgaria, Turkey, Morocco and Egypt, and to the construction of a solar-thermal park in Morocco.

Ethics and Integrity

The Italmobiliare Group has adopted a **Code of Ethics.** In 2017, the Group's subsidiaries operated in compliance with the regulations stipulated to protect the environment, the health and safety in the workplace, aiming at the continuous improvement of the management systems and at increasing the level of social and economic responsibility. In general, all relations and behaviors must take place according to the **principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.**

The subsidiaries are committed to the dissemination of the Code of Ethics, any updates, and to the provision of every possible instrument that allows its full application, even if a specific form of training is not required. The norms of the Code apply, without any exception, to all employees and to all of those who, directly or indirectly, permanently or temporarily, establish any relation or operate to pursue the Group's objectives.

The principles upheld by Italmobiliare Group

Loyalty and trust The group maintains a relationship based in loyalty and mutual trust with each of its employee. This implies the prohibition for every employee to work for third parties without the authorization of the company they currently work for. All employees must comply with the rules of the Code of Ethics as an essential part of their contractual obligations.	
Impartiality and conflict of interest Situations that may lead to conflicts of interest with those of the Group must be avoided.	
Protection of the environment and of corporate assets. The recipients of the Code of Ethics undertake to respect laws on environmental protection and promote the conduct of their activities in a manner that makes proper use of resources and respects the environment. Each recipient is directly and personally responsible for the protection and conservation of the assets entrusted to him to carry out his duties.	
Creation of an internal control system All employees, within their own functions, are responsible for the definition, implementation and proper functioning of the controls concerning the operational areas entrusted to them.	
Financial reporting and management information Every act or operation must be based on adequate documentation and must be reasonably verifiable. The information that flows into the periodical 'reports' and/or in the financial reporting, both general and analytical, must comply with the principles of transparency, correctness, completeness and accuracy.	

Ethical norms applied to third parties

Customers When managing relations with customers and in compliance with internal procedures, the maximum satisfaction of the clients must be encouraged, providing, among other things, comprehensive and accurate information on the products and services provided to them, so as to promote informed choices. Gifts or acts of hospitality are permitted only when, due to their nature and value, cannot be interpreted as being aimed at obtaining favorable treatment.
Suppliers The selection of the suppliers and the determination of the conditions of purchase must be made through an objective and transparent assessment. Gifts, of any type, cannot be accepted if they are not directly attributable to normal courtesy and as long as they are of modest value.
Public administration and institutions The undertaking of commitments with the public administration and with public institutions is reserved exclusively to the authorized functions of the Group. Anyone who receives requests or proposals of benefits from public officials must be immediately report to their superior, or the internal contact person. The functions that have legitimate relations with the public administration and public institutions, are responsible for checking in advance and, with due diligence, that what is declared and / or attested, in the interest of the Group, is true and correct.
Political and trade union organizations The Group does not provide, as a matter of principle, contributions to political parties, political committees and to political trade union organizations. When a contribution is deemed as appropriate for the public interest, the interested company determines whether it is admissible under the laws in force. All contributions must however, be provided in strict compliance with the laws in force and must be appropriately registered. The participation, in company regulations or in the representation of the same, to committees and associations of any kind, be scientific, cultural or professional, must be duly authorized and formalized in writing, in accordance with the procedures.
Bodies of information The relationships between the companies and the mass media belong to the specifically designated company functions.

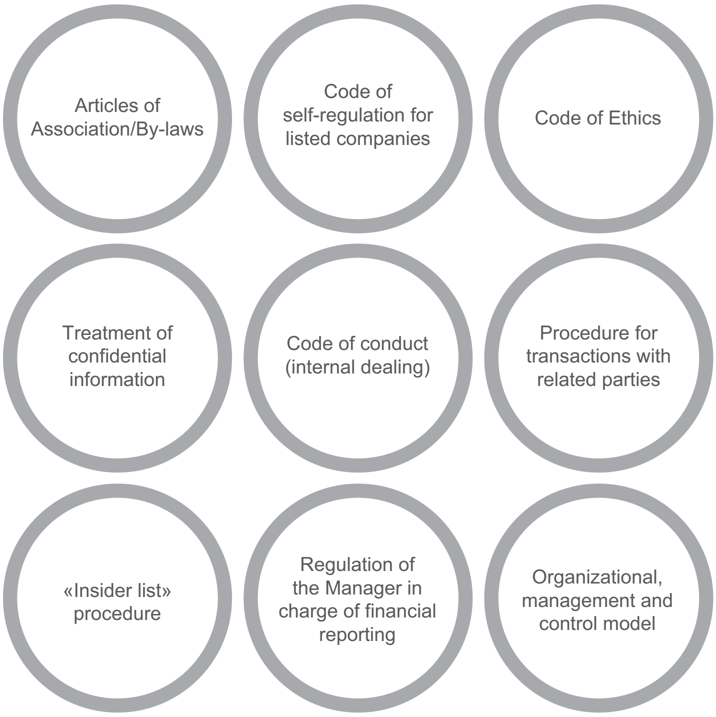
Violations of the Code of Ethics norms harms the trust relationship established with the Group and may lead to **legal or disciplinary actions or criminal proceedings,** and, in serious cases, may result in the termination of employment or of the employment contract.

With reference to the **protection of privacy**, in 2017 the Group has adopted new safety and privacy protection management systems with the aim to continuously improve its management systems and increase the levels of security. No complaints or incidents of data loss were recorded during the year.

Governance and Risk Management

Italmobiliare S.p.A. adopts a **traditional governance model**, characterized by the presence of a **Board of Directors** and a **Board of Statutory Auditors**, both appointed by the Shareholders' Meeting: this governance model is deemed to be the most suitable to combine management efficiency with the effectiveness of controls.

The Corporate Governance system is composed by the following elements:



Italmobiliare S.p.A firmly believes that the continuous modernization of its Corporate Governance rules encourages and reinforces the sharing of values and the dissemination of an entrepreneurial culture that has as objectives of transparency, adequate management and effective controls.

Italmobiliare S.p.A., of which Giampiero Pesenti is Honorary Chairman, is administered by a Board of Directors that remains in office until the approval of the 31 December 2019 financial statement. At December 31, 2017, the Board of Directors is composed as follows[3]:

Members of the Board	Age group	Executive	Independent	Other roles covered
ZANETTI Laura (*)(***)	30 - 50	No	Yes	Chairw oman Member of the Executive Committee
STRAZZERA Livio (***)	> 50	No	Yes	Deputy chairman Member of the Executive Committee
PESENTI Carlo	> 50	Yes	No	Chief Executive Office Chief Operating Officer (COO) Director in charge of the internal control and risk management system Member of the Executive Committee
BERTAZZONI Vittorio (**)(***)	30 - 50	No	Yes	Member of the Remuneration Committee
BONOMI Giorgio	> 50	No	No	Member of the Risks and Sustainability Committee
CARTIA D'ASERO Mirja (**)(***)	30 - 50	No	Yes	Member of the Risks and Sustainability Committee Member of the Committee for transactions w ith related parties
CASELLA Valentina (**)(***)	30 - 50	No	Yes	Member of the Risks and Sustainability Committee Member of the Committee for transactions w ith related parties
FORNERO Elsa Maria Olga (*) (**)(***)	> 50	No	Yes	Member of the Committee for transactions w ith related parties
MAZZOLENI Sebastiano	30 - 50	No	No	
MINOLI Luca	> 50	No	No	Member of the Executive Committee
PALMIERI Chiara (*) (**)(***)	30 - 50	No	Yes	Member of the Remuneration Committee
REBECCHINI Clemente (*)(***)	> 50	No	Yes	
SALERNO Antonio (**)(***)	30 - 50	No	Yes	
TONONI Massimo (*)(**)(***)	> 50	No	Yes	Member of the Remuneration Committee Member of the Executive Committee

As shown in the table, 36% of the Board of Directors is composed of women, with 50% of the Board members aged over 50 years and 50% belonging to the 30 to 50 age category.

Italmobiliare S.p.A also consists of a **Board of Statutory Auditors** composed of Francesco Di Carlo (Chairman) Angelo Casò (acting auditor), Luciana Ravicini (acting auditor), Alberto Giussani (substitute auditor), Paolo Ludovici (substitute auditor) and Giovanna Rita (substitute auditor).

Since 2004 Italmobiliare S.p.A has adopted a **231 Model** founded on a preliminary risk assessment process that has allowed the Group to identify, with reference to its activities and taking into account its organization, the potential risks in relation to the offences indicated by the Decree. The 231 Model is updated continuously to maintain constant

[3] The Board members indicated (*) hold positions in other companies that publish non-financial statements, the Board members that are indicated (**) are independent according to the Code of Corporate Governance and Legislative Decree no.58 of 24 February 1998, the Board members indicated (***) are independent in accordance with the Legislative Decree 24 February 1998 no.58.

compliance with the law. In relation to this specific macro-area, the Group monitors all behaviors that, if occurred, would lead to situations that could be penalized under the law.

Italmobiliare S.p.A has identified those activities that may result in the following crimes being committed:

- Wrongful receipt of disbursements, fraud against the State or a public body or to obtain public disbursements and computer fraud to the detriment of the State or a public body;
- IT crimes and illicit data processing;
- Organized crimes;
- Extortion and corruption;
- Corporate offenses;
- Market abuse;
- Negligent homicide or serious or very serious injuries committed in violation to the rules on the protection of health and safety at work;
- Receiving, laundering and using money, assets or benefits of illicit origin;
- Crimes related to copyright violations;
- Administrative liability of entities towards transnational organized crime;
- Administrative liability of entities in respect to financial matters.

The rules contained in the Model apply to all those who perform management, administration or control functions for Italmobiliare S.p.A. and for employees who may be posted abroad for work, and to those who, although do not belong to the Group, operate according to the same mandate or are somehow related to it.
Italmobiliare S.p.A is committed to ensuring the **dissemination and effective knowledge** of the 231 Model to all recipients. The training is mandatory and is differentiated, in terms of content and methods of delivery, according to the qualifications of the recipients, to the level of risk in the areas in which they operate, to their degree of involvement in sensitive activities as indicated in the 231 Model, their representative role for the company.
Italmobiliare S.p.A **condemns** any **behavior that does not comply** with the law and the provisions of the Model and the Code of Ethics, even if the behavior was carried out in the interest of the holding company.
Italmobiliare S.p.A communicates the 231 Model, and every subsequent version or update, directly to its subsidiaries.
The **Compliance Committee** of Italmobiliare S.p.A has autonomy and independence to exercise its functions and has adequate professionalism in matters of control of the risks related to the specific activities carried out by the Company. It is responsible for the task of continuously monitoring the effective functioning and compliance with the 231 Model, as well as proposing its update.
The holding company adopts the measures deemed most appropriate to facilitate the detection of violations of the 231 Model and their timely reporting. All of the recipients of the Model have the duty to promptly report to the Compliance Committee any fact or behavior of which they have direct knowledge or of which they have become aware through communications with others, which violates the Model or the procedures established for its implementation. This reporting can be anonymous and can also be made through the form used by Italmobiliare S.p.A and its subsidiaries.

Italmobiliare S.p.A. has an **Internal Control and Risk Management System** ("SCIGR"), which is an essential element of corporate governance and represents the **set of rules**, **procedures** and **organizational structures** aimed at allowing the identification, measurement, management and monitoring of the main risks to which the Company and its subsidiaries are exposed to.

Italmobiliare S.p.A., after receiving a favorable opinion from the Risk and Sustainability Committee, has defined the **Guidelines for the Internal Control and Risk Management System**. These guidelines, taking into account the particular structure of the Group, tend to ensure consistency and harmonization between the various existing controls and thus define the roles and functions involved in the identification, measurement, management and monitoring of the main risks relating to the Company and its subsidiaries.

The guidelines have been **sent to the subsidiaries** so that they can take them into account in the establishment and maintenance of their internal control system, without prejudice to the autonomy and independence of each company.
The Internal Control and Risk Management System must contribute to the Group's conduct in a way that is coherent with the corporate objectives defined by the Board of Directors, encouraging **informed decisions:** this contributes to ensuring the protection of the company's assets, efficiency and the effectiveness of the business processes, the credibility, the accuracy, the reliability and the timing of financial information, the compliance with the laws as well as the company by-laws and internal procedures.
The Board of Directors, with the assistance of the Risks and Sustainability Committee, determines the **compatibility criteria** of the risks pertaining to the Group and its subsidiaries with a sound and correct management of the company. It assesses, on a six-month basis, the adequacy, effectiveness and effective functioning of the internal control system with respect to the characteristics of the company. Those subsidiaries that have an autonomous internal control structure with tasks similar to those assigned by the Code to the Risks and Sustainability Committee, the checks carried out by the Risks and Sustainability Committee of Italmobiliare are based on the examination and evaluation of the reports received from these subsidiaries. The Board of Directors monitors and examines the risks to which the company and the entire Group are subject to, which, given the scope of the activity envisaged by the by-laws, are mainly financial in nature. Italmobiliare S.p.A has implemented a risk management system aligned with the existing best practices for identification, assessment and management of business risks, identifying three main areas: trading portfolio, equity investments and holding processes/organizational areas. The risk management process is also operational in the main subsidiaries.

The risks and the related policies to monitor the activities of Italmobiliare Group and its subsidiaries in the area of sustainability are grouped into the following macro categories:

Health and safety of the employees

The risk with relation to the health and safety of employees, is the possibility that norms and regulations on occupational health and safety are not respected and that there is a major incident involving personnel.

The risk analysis is constantly carried out in compliance with regulatory requirements, and the issue is also managed through a certification system that is aimed at guaranteeing the protection, health and safety of workers inside and outside the production sites.

Environment

For the activities carried out by the subsidiaries operating in the industrial sectors, the main risks are related to the possibility of creating an environmental impact from industrial accidents, elevated energy consumption and the use of water resources and the related waste water disposal.

In order to safeguard the environment and minimize impacts, these subsidiaries promote the sustainable use of resources by adopting integrated company policies, along with the implementation of progressive certification projects related to environmental aspects. Moreover, the main environmental aspects and impacts are identified through an environmental analysis that identifies the different levels of theoretical risks and their significance, so to define priorities for intervention and to determine improvement targets.

Corruption

With reference to active and passive corruption, the main risk factors are related to certain behaviors and forms of negligence that, if they occur during the performance of business activities with private individuals and public bodies, could be considered as punishable under the current legislation.

These risks are mapped and monitored in accordance with the 231 Model of the parent and its subsidiaries and through the application of mechanisms to report potential illicit behaviors, in order to fight and prevent corruption.

In the context of risk management of the parent and its subsidiaries, no significant residual risks were recorded in the area of sustainability.

Governance of the investee companies

The main subsidiaries of Italmobiliare S.p.A., namely Italgen S.p.A., SIRAP Gema S.p.A., with the exception of Clessidra SGR S.p.A., are subject to Italmobiliare's management and coordination activities. In this context, some key management personnel of Italmobiliare sit on the Boards of Directors of the investees. Each investee is equipped with an administrative body and a control body (Board of Statutory Auditors, in some cases composed by a single acting auditor). SIRAP Gema S.p.A. also has its own Control and Risk Committee.

Italmobiliare S.p.A. has a **Management of Equity Investments** department, whose Director reports to the Managing Director and the Chief Operating Officer, and carries out the following tasks:

- monitoring of the operational management of the investee companies; providing support to the management of the subsidiaries for setting budgets and for development plans, and participating in periodic reviews of the results;
- monitoring of the operational risks and opportunities associated with the investment portfolio; taking part in the evaluation and approval of the strategic investments and/ or disinvestments, M&A opportunities and other opportunities, in coordination with the Development and Investment Management department;
- Investor Relator activities, taking care of financial relations and information towards the financial community (analysts, institutional investors, etc.), according to the instructions of the Managing Director and Chief Operating Officer and in collaboration with other competent corporate Departments/ Functions.

The subsidiaries of Italmobiliare Group have adopted the **231 Model**. The Model incorporates the principles and contents of that of the Parent, unless there were specific situations (relating to the nature, size, type of activity or the structure of internal power delegations) that imposed or suggested the adoption of different measures in order to pursue, in a rational and effective manner, the objectives of responsibility for administrative offenses.

Clessidra SGR S.p.A. is also subjected to the regulatory control activities of CONSOB and the Banca d'Italia.

Sustainability Management

The Italmobiliare Group recognizes the importance of a transparent dialogue with its stakeholders and with all those involved in the life of its companies. One of the Group's major ambitions, with the perspective of developing to its full potential, is to develop a correct approach in terms of sustainability, both from an economic point of view, creating value for a medium/ long-term period, and from the point of view of other impacts caused by its activities.

Currently there is no single methodological framework for the dialogue with stakeholders, but the Group subsidiaries regularly listen to their stakeholders when carrying out their activities (for example, through open dialogue with trade union representatives, constant dialogue with customers, periodic meetings with investors and initiatives for listening to local communities).

As from 2017, in accordance with this aim, the Group decided to expand its stakeholder engagement activities, with the aim of reporting the results in the next Sustainability Report.

Identification of stakeholders
Italmobiliare has developed a process of identification of its main stakeholders by a careful benchmark analysis and the analysis of the specificities of the subsidiaries. The resulting map of the Group's stakeholders is shown below:

Map of the stakeholders of Italmobiliare Group:

Materiality Analysis

At the beginning of 2017, the Italmobiliare Group began its sustainability reporting process, starting from a materiality analysis to identify the most relevant topics for the Company from an economic, social and environmental point of view (the so-called *material topics*) that will be presented and explained further on.
The identification of the relevant topics was based on an analysis of the activities of Italmobiliare S.p.A and of its main subsidiaries in terms of the opportunities and impacts that characterize the business activities. The topics were also identified following a benchmark study on similar organizations and by consulting guidelines and the main reporting standards in the field of sustainability. The list of the topics that emerged was then submitted to an evaluation that occurred during a dedicated workshops attended by the representatives of the main functions of the holding company and its subsidiaries. The final result is the materiality matrix shown below.

Materiality Matrix of the Group Italmobiliare

2. Italmobiliare Group: economic responsibility

Revenues and income: 507.6 million euros

Economic value generated and distributed: 519.9 million euros

Profit for the year: 115.2 million euros

Economic performance of Italmobiliare Group

The **positive consolidated economic results** of Italmobiliare Group, which amounted to 115.2 million euros in profit for the year (loss) (increasing by 69% compared to 2016), show good economic management, with a view to achieve medium/long term profit, and in line with the vision of achieving sustainable targets for profitability and growth targets.

Revenues and income 507.6 million euros (451.0 million euros in 2016, +12.5% compared to 2016)

Gross Operating Profit (loss) 146.6 million euros (57.8 million euros in 2016)

Operating Profit (loss) 127.6 million euros (37.4 million euros in 2016)

As of December, 31 2017, the share capital of the parent Italmobiliare S.p.A amounted to 100.2 million euros, divided into 47,633, 800 ordinary shares with no nominal value.

Value generated and distributed

The economic aspects of Italmobiliare Group's activities are corroborated through the calculation of the Added Value. In the sustainability report, this calculation, which can be defined as the **value created by the activities** of the organization and distributed to the stakeholders, is one of the elements that allows the assessment of the Group's impact on the social fabric.

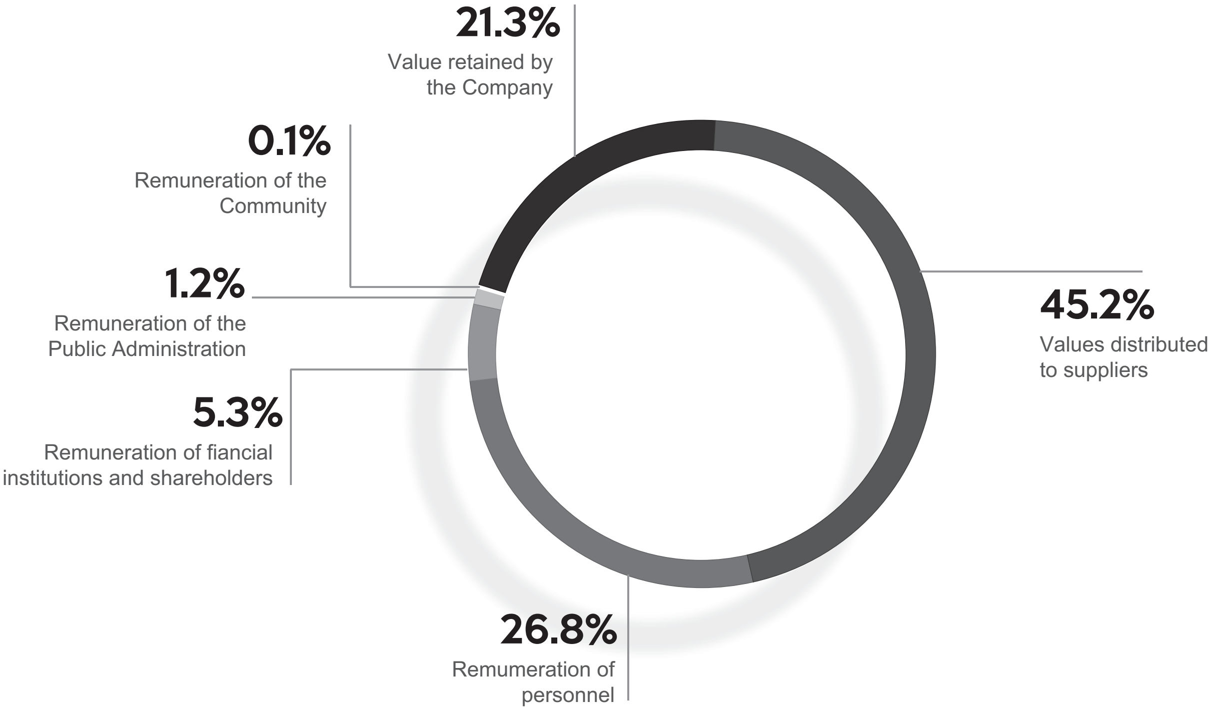
The value generated, according to the reclassification of the Income Statement at December 31, 2017 is € 519.9 **million euros**, of which the most significant portion is allocated to **supplier remuneration** (45.2% corresponding to € 235.2 million). The portion allocated to **personnel expense** (26.8%) amounts to 139.5 million euros and corresponds to the total of costs of remuneration, termination benefits, and among other things, training costs.

The **value retained by the company** (amortization and undistributed income) amounts to 21.3%, which corresponds to € 110.9 million, while 4.5% (€ 23.4[4] million) is allocated to **shareholders** and 0.8% to **financial institutions** (4.1 million euros). The portion distributed to the **Public Administration** is 6.2 million euro (1.2% of the total) while donations to the **Community** amounted to 578 thousand euros (0.1%).

[4] The value indicated for the distribution of the profits to Shareholders corresponds to what the Board of Directors of Italmobiliare S.p.A has decided to propose to the Shareholders' Meeting for approval.

Distribution of Added Value 2017

Economic value distributed 2017



Sustainable investments

Italmobiliare Group's investment policy, although aimed at creating value, is not focused solely on the assessment of financial performance parameters, but also takes into account references linked to the promotion of human development, social responsibility and environmental responsibility. Investments in any fields that can directly or indirectly hinder the development or violate human rights, undermine civil liberties or rely on the exploitation of children. Also excluded are investments that may refer to the arms trade or the production of goods that are harmful to health or incompatible with environmental protection.

Italmobiliare S.p.A.

The investment activity of Italmobiliare S.p.A. aims at increasing the value of the portfolio in the medium to long-term, by increasing the value of equity investments and maintaining a constant flow of dividends. The Company invests primarily, with majority or qualified equity investments, in companies characterized by potential for growth both for the business and for the reference market, with an aptitude for innovation and sustainability and which can rely on the expertise and quality of a dedicated management. From a geographical point of view, Italmobiliare concentrates its investments on selected markets, in particular in Europe and North America. The assessment of environmental and social aspects mainly takes place during the M&A processes, by carrying out specific due diligence.

These guiding principles, that underlie Italmobiliare's investment policy, also include fundamental guidelines in terms of responsibility and the sustainability of its own operations, as a guarantee not only for its shareholders but for all its stakeholders, allowing it to maintain a flexible approach regarding specific choices of investment within a balanced portfolio.

Clessidra

Clessidra SGR S.p.A, the main private equity fund manager exclusively dedicated to the Italian market, is an excellent complement to the diversification of holdings for Italmobiliare. First and foremost, Clessidra implements an investment policy in leveraged buyouts, focused on controlling interests (or non-controlling interests, balanced using adequate governance mechanisms) in unlisted Italian companies, medium-sized and characterized by market or technological leadership, with management of a high-standing management and significant growth potential.
Clessidra is committed to take into consideration the ESG aspects (Environmental, Social, Governance) in the evaluation and selection of its investments by formalizing **the inclusion of ESG themes within its investment procedures** and complying with the **UN Principles for Responsible Investments (UNPRI)** which provide for an active interaction on ESG topics with the companies in the portfolio. To guarantee transparency towards investors, in the financial reports prepared in accordance with the provisions issued by the *Banca d'Italia*, a paragraph dedicated to responsible investments is required. In addition to this there is also a quarterly report, drawn up on the basis of the guidelines for the presentation of financial reporting (EVCA Reporting Guidelines) and valuation (International Private Equity and Venture Capital Valuation Guidelines), which demonstrates Clessidra's responsible investment activity.

3. Italmobiliare Group: environmental responsibility

Energy consumed: 266,773 GJ

Electricity produced from renewable sources: 254,084,542 kWh

Water consumption: 561,670.9 m^3

Italmobiliare Group operates in the field of **environmental protection and conservation** and, when carrying out its activities, promotes the **proper use of resources and the respect of the environment**. In particular, the Holding supports its companies in the development of efficient energy management through actions, programs and management systems. It also promotes through the implementation of sustainable investments the production and/or purchase of energy obtained from renewable sources, and the reduction of energy consumption related to fossil fuels. This chapter contains the environmental data of Italmobiliare Group, and companies that operate in the industrial sector (SIRAP group and Italgen) for which the environment is more significant.

In 2017, Italmobiliare Group consumed **266,773 GJ** of energy, 4% more than in 2016, in line with the economic results that show significant growth. The consumption of **electricity** was **70,507,700.1 kWh**, of which 69,042,683 kWh were purchased and 254,084,542.1 kWh self-produced from renewable sources. As for **natural gas**, the consumption levels amounted to 333,141 m^3 with an increase of 5% over the previous year.

SIRAP Group and Italgen are the companies of Italmobiliare Group which, because of the business sector, have a greater impact on the environment. For this reason these are the companies which play a greater role in environmental protection initiatives.

Energy consumption of Italmobiliare Group at December 31, 2017[5]

Energy Consumption	Total 2016	Total GJ 2016	Total 2017	Total GJ 2017
Purchased electricity	66,274,520.0 kWh	238,588.3	69,042,683.0 kWh	248,553.7
Self-produced electricity	285,046,478.0 kWh	1,026,167.3	254,084,542.1 kWh	914,704.4
of which renewable	285,046,478.0 kWh	1,026,167.3	254,084,542.1 kWh	914,704.4
Electricity sold	283,636,855.0 kWh	1,021,092.7	252,619,525.0 kWh	909,430.3
of which renewable	283,636,855.0 kWh	1,021,092.7	252,619,525.0 kWh	909,430.3
Electricity consumption	**67,684,143.0 kWh**	**243,662.9**	**70,507,700.1 kWh**	**253,827.8**
Consumption of fuel from non-renewable sources				
Natural gas	317,969.0 m^3	11,157.4	333,141.0 m^3	11,728.0
Diesel	35,000 lt	1,253.1	34,000 lt	1,217.3
Total energy consumed	**n.a.**	**256,073.4**	**n.a.**	**266,773.1**

During 2017, Italmobiliare Group produced **745.2 t CO_2[6]** of **direct GHG emissions** (Scope 1) and **22,824.2 t CO_2** of **indirect GHG emissions** (Scope 2 – Location Based).

[5] Sources of conversion factors: GRI Sustainability Reporting Guidelines, Version 3.1; Standard national parameters table updated 2016 and 2017; https://enigaseluce.com/info/coefficiente-c-gas; Average value from data sheet on safety of oil gas for heating of ENI – 2012.
[6] The values in this chapter refer to the quantity of CO^2, not CO^2 equivalent.

Direct GHG emissions (Scope 1) of Italmobiliare Group at December 31, 2017[7]

Source	t CO_2 2016	t CO_2 2017
Natural gas	623.0	655.6
Gas oil for heating	92.2	89.6
Total	**715.2**	**745.2**

GHG emissions generated by energy consumption (Scope 2) Location Based of Italmobiliare Group at December 31, 2017[8]

Source	t CO_2 2016	t CO_2 2017
Electricity purchased Location Based - Italy	15,584.0	15,809.2
Electricity purchased Location Based - France	737.3	742.4
Electricity purchased Location Based - Poland	3,977.1	5,499.5
Electricity purchased Location Based - Hungary	737.0	773.1
Total	**21,035.4**	**22,824.2**

GHG emissions generated by energy consumption (Scope 2) Market-based of Italmobiliare Group at December 31, 2017[9]

Source	t CO_2 2016	t CO_2 2017
Electricity purchased Market Based - Italy	19,328.7	19,608.0
Electricity purchased Market Based - France	794.4	799.9
Electricity purchased Market Based - Poland	4,273.6	5,909.4
Electricity purchased Market Based - Hungary	940.2	986.3
Total	**25,336.9**	**27,303.6**

With regard to water resources, in 2017 Italmobiliare Group consumed **561,670.9 m^3** of water, of which 19,726.9 m^3 from aqueducts and 541,944.0 m^3 from wells. Most of the water consumed has been used for the production activities of the SIRAP group.

Water consumption of the Italmobiliare Group at December 31, 2017

Source	Volume (m^3) 2016	Volume (m^3) 2017
Aqueducts	71,227.1 [1]	19,726.9
Wells	664,331.0	541,944.0
Total water consumption	**735,558.1**	**561,670.9**

[1] The value in 2017 shows an exceptional consumption mainly caused by al loss involving Remoulins, and, to a lesser extent, to the breakdown of Italgen systems

[7] Source of emission factors: standard national parameters table update in 2016 and 2017.
[8] Source of emission factors: Terna, international comparisons 2015
https://www.terna.it/en-gb/sistemaelettrico/statisticheeprevisioni/datistatistici.aspx.
[9] Source of emission factors: European Residual Mixes 2016.

Waste water discharged by Italmobiliare Group at December 31, 2017

Destination	Volume (m^3) 2016	Volume (m^3) 2017
Sewer	297,232.3	253,802.0
Total	**297,232.3**	**253,802.0**

Environmental management policies of the SIRAP group

Over the years, the SIRAP group has increasingly dedicated more attention to issues related to the protection of the environment. In 2017 it adopted the new integrated Business Policy "Development-Quality-Safety-Environment" focused on the **protection of the environment**. This policy also intends to promote the reduction of consumption and the **sustainable use of resources**, envisaging the involvement of the entire personnel of SIRAP group. The idea is to also use this policy as an evaluation criterion for professional development within SIRAP group itself.
Of particular importance is the attention that the Parent SIRAP Gema S.p.A dedicates to environmental sustainability: since 2012 the company has had an **Environmental Policy** which contains the guidelines that express the group's desire to comply with the environmental regulations of the states in which it operates and adopts the best ecological standards for sustainable and responsible development.

As a demonstration of its commitment towards the implementation of business processes inspired by internationally recognized best practices, the SIRAP group has launched the "***Full Certificate Project***", a program which will develop in the 2016-2018 three-year period, with the aim of achieving a certified environmental management system for all production sites. This project is currently involving the entire organization, allowing various plants to improve the processes related to safety at work, environmental protection, quality and food safety. The **UNI EN ISO 14001 certification**, related to environmental management systems, was obtained by the Verolanuova headquarters and by the plants in Mantua, San Vito al Tagliamento, Castiglion Fiorentino, Noves (F) and Remoulins (F). For the latter, the certification was originally planned for 2018, but was achieved by the end of 2017. For the sites Universal Imballaggi and Petruzalek, the implementation will require more time and it is estimated that the ISO 14001 will be obtained from 2019. Finally, the Murowana (PL) plant is UNI EN ISO 14001 and BSI (Product Certification) certified.

Energy consumption and emissions of the SIRAP group

SIRAP group, together with Italgen, represents the group’s most energy-intensive business and, for this reason, has developed strategies to reduce energy consumption and carbon dioxide emissions.

In 2017, the SIRAP group consumed **258,918.8 GJ** of energy, representing an increase 4% compared to 2016, as illustrated below.

Energy consumption of the SIRAP group at December 31, 2017[10] [11]

Energy Consumption	Total 2016	Total GJ 2016	Total 2017	Totale GJ 2017
Purchased electricity	65,953,972.0 kWh	237,434.3	68,724,421.0 kWh	247,407.9
Self-produced electricity	46,478.0 kWh	167.3	84,542.1 kWh	304.4
of which renewable	46,478.0 kWh	167.3	84,542.1 kWh	304.4
Electricity sold	6,855.0 kWh	24.7	9,525.0 kWh	34.3
of which renewable	6,855.0 kWh	24.7	9,525.0 kWh	34.3
Electricity consumption	**65,993,595.0 kWh**	**237,576.9**	**68,799,438.1 kWh**	**247,678.0**
Consumption of fuel from non-renewable sources				
Natural gas	303,468.0 m^3	10,648.6	319,302.0 m^3	11,240.8
Total energy consumed	**n.a.**	**248,225.5**	**n.a.**	**258,918.8**

In 2017 the SIRAP group produced **628.3 t CO_2** of direct GHG emissions (Scope 1) and **22,704.8 t CO_2** of indirect GHG emissions (Scope 2 – Location Based).

Direct GHG emissions (Scope 1) of SIRAP group at December 31, 2017[12]

Source	t CO_2 2016	t CO_2 2017
Natural Gas	594.6	628.3
Total	**594.6**	**628.3**

GHG emissions generated by energy consumption (Scope 2) Location Based of SIRAP group at December 31, 2017[13]

Source	t CO_2 2016	t CO_2 2017
Electricity purchased (Italy)	15,463.8	15,689.8
Electricity purchased (Poland)	3,977.1	5,499.5
Electricity purchased (France)	737.3	742.4
Electricity purchased (Hungary)	737.0	773.1
Total	**20,915.2**	**22,704.8**

GHG emissions generated by energy consumption (Scope 2) Market Based of SIRAP group at December 31, 2017[14]

Source	t CO_2 2016	t CO_2 2017
Electricity purchased (Italy)	19,179.6	19,460.0
Electricity purchased (Poland)	4,273.6	5,909.4
Electricity purchased (France)	794.4	799.9
Electricity purchased (Hungary)	940.2	986.3
Total	**25,187.8**	**27,155.6**

[10] The data for 2016 on the energy consumption of Rosa Plast Due S.r.l. refers to the timeframe in which it was acquired (July – December).
[11] Sources of conversion factors: GRI Sustainability Reporting Guidelines, Version 3.1;
Standard national parameters table updated in 2016 and 2017;
https://enigaseluce.com/info/coefficiente-c-gas;
Average value from data sheet on safety of oil gas for heating of ENI – 2012.
[12] Source of emission factors: standard national parameters updated in 2016 and 2017.
[13] Source of emission factors: Terna, international comparisons 2015.
[14] Source of emission factors: European Residual Mixes 2016

SIRAP group’s commitment to reducing energy consumption began in 2012, the year in which its parent SIRAP Gema S.p.A implemented the ***"Energy Saving"*** project with the aim of making the company more energy efficient by reducing waste and the associated environmental impacts. The benefits of the control and analysis of waste is twofold: it encourages an assessment of the most efficient technical solutions oriented to the "*Best Available Technologies*" and allows the involvement and awareness of personnel on environmental issues. *Energy Saving* was launched with an Energy Audit at the Castiglion Fiorentino site and was progressively extended to all of the group's plants, identifying an "***Energy Team***".

The project aims at reducing the volume of waste by acting on multiple areas of action:

- **behavior of the personnel**
- **optimization of the processes**
- **maintenance of the plants**
- **management of the lighting**
- **investments**
- **management of compressed-air**

The collection and analysis of information is carried out through the instalment of specific systems that monitor the equipment used. The data on the consumption of the main machinery in the plants is then sent to the server and can be remotely controlled in real time. The site’s Energy Team periodically organizes a meeting in which new proposals/ideas are analyzed and feedback is given on the actions taken. Moreover, all employees can collaborate by reporting areas of waste that should be adjusted, which are promptly taken into consideration and processed.

In 2017 there have been negative impacts on the global specific energy consumption, also linked to the reduction in volume of the pieces produced monthly in some sites. This reduced production had negative impacts mainly in the first 6 months of the year. A series of efficiency measures have been carried out in parallel, especially at the sites of San Vito al Tagliamento and Verolanuova. Some of these are summarized below:

- **Inverter Installation**
- **Disposal of high-energy consumption and inefficient machinery**
- **Installation of variable speed compressors and the rationalization of their functioning**
- **Maintenance of compressed air systems**

Moreover, in relation to energy consumption, the SIRAP group has developed an **energy performance indicator**, the KEI (**Key Energy Indicator**), which is calculated using the ratio between kWh used and tons of raw material processed.

Management of the water resources by the SIRAP group

The SIRAP group, which pays attention to the development of initiatives and projects that favor the optimization of water consumption, and also to water recovery initiatives during the production processes, sources 97% of its water from wells and 3% from aqueducts. In the majority of the plants there is a **closed loop system for the reuse and cooling of water,** which makes use of cooling towers or closed loop heat exchangers. The water consumed from the production sites that have this system in place corresponds to the quantity necessary to **reintegrate the circuit** (due to evaporation or leakages); the remaining part of the water circulates continuously to cool down the machinery, and, in turn, is cooled down by the evaporative towers or through refrigeration systems with closed loop heat exchangers.

Water consumed SIRAP group at December 31, 2017[15]

Source	Volume (m^3) 2016	Volume (m^3) 2017
Aqueduct	63,902.1	18,329.9
Well	661,855.0	536,641.0
Total water consumed	**725,757.1**	**554,970.9**

Waste water discharged by SIRAP group at December 31, 2017[16]

Destination	Volume (m^3) 2016	Volume (m^3) 2017
Sewer	289,907.3	252,405.0
Total	**289,907.3**	**252,405.0**

Materials and packaging of SIRAP group

In the last two years, the SIRAP group, starting with its parent SIRAP Gema S.p.A, has initiated the following **research and development projects** aimed at creating **organic products** that would reduce the environmental impacts of the production and disposal processes:

- the "**Bio rigid"** project, aimed at creating a compostable packaging system which, on the one hand, provides for the use of raw materials obtained from renewable sources, and on the other, the enhancement of the finished product through a cycle of industrial composting that reduces the environmental impact according to a circular perspective;
- the "**Bio expanded**" project that aims at the use of trays made of expanded compostable material to substitute to those made of polystyrene. This is an innovative solution that reduces material consumption and at the same time increases composting speed.
- The "**Skin**" project that involves the establishment of a packaging system based on a vacuum system, without the use of a modified atmosphere, which consequently results in an increase in the *shelf life* of the product.

[15] The value for 2016 represent an exceptional consumption mostly due to a loss that affected Remoulins.
[16] For the plants equipped with a recirculation system, the estimate of water discharged corresponds to the quantity of water withdrawn for sanitary purposes, as the water used in the process is kept inside the closed circuit and reused, and partially lost by evaporation during normal processes of the system.

The parent SIRAP Gema S.p.A has established a series of partnerships for the development of **innovative products.** Of fundamental importance are the collaborations with:

- Novamont for the creation of compostable products with Mater-Bi;
- NatureWorks for the development of compostable products with Polylactic Acid (PLA);
- Saes-Getters for the integration of Getter gas absorbers for vacuum packaging.

Materials used by the SIRAP group at December 31, 2017[17]

Type of material	Tons 2016	Tons 2017
Raw material	46,798.0	42,858.0
Semi-finished goods	10,305.0	12,857.0
Additives, packaging, consumables	10,198.0	7,284.0
Finished product	11,087.0	10,552.7
Total materials used	**78,388.0**	**73,551.7**

Environmental management policies of Italgen

Sustainable Development has always been one of the fundamental drivers of Italgen, which strongly believes in the interdependence between economic growth and social and environmental responsibility. Since its inception the Company has been constantly committed to safeguarding the environment, aiming at a growing production of energy from renewable sources and adopting sustainable technologies in order to continuously improve environmental performances. The **Environmental Policy** of Italgen is one of the fundamental elements for strategic planning as it provides a general guideline and short to medium-long term objectives related to environmental and economic performance and to reducing the impact on the ecosystem. This policy permeates the entire organization through various initiatives aimed at training and sharing information and objectives with all levels of staff.

Italgen has set up an integrated Management System for the environment and quality in compliance with the **ISO 9001:2008** and **ISO 14001:2004** standards, certifications that was obtained in 2008. The system is currently being adapted to the 2015 ISO standards.

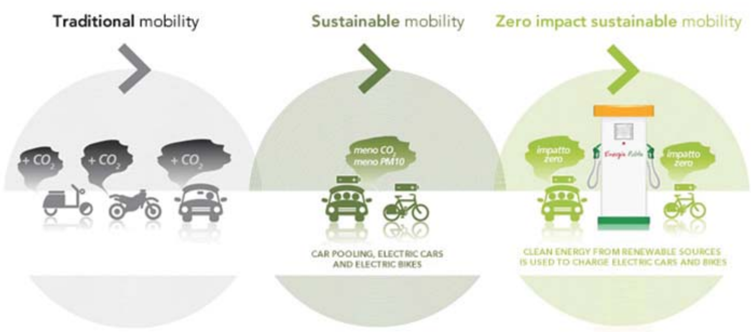
Italgen is also registered in the EU registry of **EMAS** (Eco Management & Audit Scheme) and has obtained the renewal of the EMAS Registration Certificate on the September 28, 2016 for the three-year period of 2016-2019, demonstrating once again that environmental sustainability is a fundamental element in the company's mission.

[17] The data for 2016 does not include the materials used by Rosa Plast due S.r.l as it was acquired during the year.

In compliance with the provisions of the EMAS Regulation 1221/2009, an **Environmental Analysis** was carried out in which the environmental aspects and impacts of Italgen's activities were identified. In this regard, both the direct aspects, meaning those in which Italgen exercises full control, and the indirect ones, meaning those where it exercises or can exert an influence, without having full management, were taken into account. The direct environmental aspects identified are:

- production of effluents/discharges;
- waste production;
- acoustic emissions;
- handling of dangerous substances;
- use and handling of flammable substances;
- use of water resources.

With regard to indirect environmental aspects, the activities carried out by the suppliers operating within Italgen sites were identified.



For Italgen, one of the central elements for the management of the business is the protection of the environment and the containment of **polluting factors**, as stated also in the Environmental Policy. For this reason, according to its philosophy of continuous improvement, Italgen constantly focuses its attention on the development of innovative technologies to **improve the efficiency of plants**, to save natural resources and to use renewable energy sources. One of the most important initiative to reduce the environmental impact is the "**Clean Energy Distributors**" project, in the context of **sustainable mobility**. Distributors that supply electricity produced by hydroelectric plants are located inside the headquarters and in some of Italgen plants, are contributing to the charging of the car fleet and electric bicycles. Thanks to the distributor, it is possible to monitor in real time the production of energy from renewable sources at the owned hydroelectric plants, the number of equivalent oil barrels saved, and the simultaneous reduction of CO_2 emissions.

Climate change definitely has an economic impact for Italgen: by actively investing in the production of energy from renewable sources, a possible increase in government incentives for the production and sale of energy from renewable sources would increase investment in both new plants and in revamping. This type of opportunity is constantly monitored by a dedicated company function.

Energy consumption and emissions of Italgen

In 2017, Italgen consumed **1,390,000 kWh** of **electricity,** which is entirely self-produced through its hydroelectric power plants.

Energy consumption of Italgen at December 31, 2017[18]

Type of consumption	Total 2016	Total GJ 2016	Total 2017	Total GJ 2017
Total self-produced	285,000,000.0 kWh	1,026,000.0	254,000,000.0 kWh	914,400.0
of which renewable (hydroelectric)	285,000,000.0 kWh	1,026,000.0	254,000,000.0 kWh	914,400.0
Electricity sold	283,630,000.0 kWh	1,021,068.0	252,610,000.0 kWh	909,396.0
of which renewable (hydroelectric)	283,630,000.0 kWh	1,021,068.0	252,610,000.0 kWh	909,396.0
Electricity consumed	**1,370,000.0 kWh**	**4,932.0**	**1,390,000.0 kWh**	**5,004.0**

Since Italgen did not make use of natural gas or any other fuels in 2017 it did not produce any direct GHG emissions throughout the year (Scope 1). Furthermore, as it self-produces all of the electricity consumed through its hydroelectric plants, it did not produce any indirect GHG emissions in 2017 (Scope 2).

In the three-year period 2016-2018, Italgen has been implementing some initiatives to reduce the environmental impact related to the energy efficiency of the production cycle and to the reduction of self-consumption through the installation of **new lighting systems with low consumption LED lamps** at the hydroelectric power plants and appliances (gripping works, tunnels, dams, etc.). Employee awareness and training projects, that have been implemented and included in the existing Environmental Management, ISO 14001 certified and registered EMAS, and are also of fundamental importance.

Management of water resources by Italgen

The main sources of water supply of Italgen are the rivers Adda, Oglio, Dezzo, Povo, Brembo, Stabina, Serio, Gesso, Vermenagna and Meschio Almost all of the water is used for hydroelectric production. In particular, the water is withdrawn by means of **grips from surface water canals** and used by the plants for the production of electricity before it is almost entirely released downstream. The amount of water withdrawn for the conversion into electricity is 4.713.999.000 m^3. In terms of the water use for processes and its release, the water supply was evaluated as a significant environmental aspect of medium importance, while the use of water for civil purposes was not deemed significant. In order to minimize the environmental impact in relation to the downstream interference of the grips and/or barrier works on the ecosystem, Italgen releases a minimum quantity of water called "**Minimal Vital Flow**" (DMV), which allows the course of the water to preserve the characteristics suitable for the growth and development of the fish fauna. With reference to the discharged water, Italgen has assessed the environmental impact as significant but with low relevance: the water, collected from the plant's intake and turbined plants, is then released through restitution works without causing any physical or chemical changes. With regard to waste water, a distinction must be made between civil and rain water discharges. The former are occasional and of low entity, generated by the toilets of the plants and conveyed into the pit and then drained for sub-irrigation in the superficial layers of the subsoil, subject to authorization. For rain water discharge the environmental significance was assessed as extremely low as no external operations are carried out, except for the extraordinary maintenances that are performed during major equipment revisions.

[18] Sources of conversion factors: GRI Sustainability Reporting Guidelines, Version 3.1;
Standard national parameters table updated in 2016 and 2017;
https://enigaseluce.com/info/coefficiente-c-gas;
Average value from data sheet on safety of oil gas for heating of ENI – 2012.

The renewal of the hydroelectric park, implemented by Italgen in line with the sustainability objectives, allows for the continuous improvement of production performances and for the rehabilitation of the surrounding environment. Below are listed some examples of the impact assessment of Italgen's facilities on the territory and community:

- in Guiglia[19] a plant was built on an area of over 20 hectares, which was once used as a mine. The plant is an example of the rehabilitation of an abandoned area, now transformed into a site for the production of energy from renewable sources;
- in Vetra, a hydroelectric plant was built with the aim to minimize its environmental impact. Currently the plant operates in synergy with the nearby plant of Palazzolo sull'Oglio; these represent an excellent example of efficiency and better use of water resources:
- in Kavarna[20], Bulgaria, innovative hybrid metal and concrete towers were constructed, following a research and development activity aimed at satisfying the construction needs of the local client;
- in Ait Baha, Morocco, a pilot project consisting of a solar park was built close to one of the largest and most modern cement plants in the country. This system guarantees better thermodynamic efficiency as the plant production does not involve the use of flammable and polluting fluids but instead uses air for the transmission and exchange of heat;
- in Safi, Marocco, Italgen took care of the permitting phase, technical and engineering development, and the offer negotiation with wind turbine suppliers for the project of connecting a 10 Mwh wind farm to a cement factory;
- the project in the Gulf El Zeit in Egypt represents the first major investment by a foreign operator in the renewable energy sector to obtain an energy generation license and to be fully authorized by the Egyptian Government. The project involved local communities in the construction phase and in the management of the plant, contributing to the development of the Egyptian wind energy sector.

Water consumed by Italgen at December 31, 2017[21] [22]

Source	Volume (m^3) 2016	Volume (m^3) 2017
Aqueduct	7,325.0	1,397.0
Well	2,476.0	5,303.0
Total water consumed	**9,801.0**	**6,700.0**

Water discharge by Italgen at December 31, 2017

Destination	Volume (m^3) 2016	Volume (m^3) 2017
Sewer	7,325.0	1,397.0
Total	**7,325.0**	**1,397.0**

[19] Italgen holds 30% of the company that owns the photovoltaic plant.
[20] Italgen holds 49% of the company that owns the wind farm.
[21] The deviation in the amount of water withdrawn from the aqueduct and discharged into the sewage system in 2017 compared to 2016 is due to the failure of the withdrawal facilities from the Aqueduct, Wells and Sanitary use.
[22] The value indicated in the table is the net value of the water withdrawn for the production of electricity.

4. Italmobiliare Group: Responsibility for Business Management

Human Resource Management

Group employees: 1,378

Employees with a permanent contract: 1,177

Female employees: 417

Italmobiliare Group has a business model in which the individual is **central to the Group's success**. For this reason Italmobiliare considers its employees to be the main resource to be valued and respected and this is reflected in its human resources management model. The Group's Code of Ethics considers mutual trust and loyalty as principles of primary importance in the relationship between the Company and the employee.

The Group is therefore committed into creating a favourable and positive working environment that allows each employee to carry out their individual tasks.

Through policies aimed at guaranteeing the welfare and development of its employees, the Group encourages employee engagement in the realization of the company's growth objectives.

Each individual company independently manages its employees and collaborators independently.

As of December 31 2017, the Italmobiliare Group's **total workforce** consisted of **1,378 employees**. Confirming the Group's trust in its employees, **permanent contracts** represent **85.4%** of the total workforce (1,177 employees in 2017) while only 14.6% are temporary contracts. **96.2%** of employees under a **full-time contract** (1.325 employees in 2017) and only 3.8% under part-time contracts. In addition, the Group employs **on average 129 collaborators** who are mostly self-employed workers, external collaborators, temporary workers or interns (on average the Group employs 10 interns).

Total number of employees divided by contract type and gender at December 31, 2017

	Italmobiliare Group					
	2016			2017		
	Male	Female	Total	Male	Female	Total
Permanent	858	323	1,181	863	314	1,177
Temporary	86	102	188	98	103	201
Total	**944**	**425**	**1,369**	**961**	**417**	**1,378**

Total number of employees divided by full-time and part-time contract at December 31, 2017

	Italmobiliare Group					
	2016			2017		
	Male	Female	Total	Male	Female	Total
Full-time	923	392	1,315	942	383	1,325
Part-time	21	33	54	19	34	53
Total	**944**	**425**	**1,369**	**961**	**417**	**1,378**

In 2017, there were **215 new hires**, 206 terminations, generating an entry turnover rate of 15.6% (15.7% for men and 15.3% for women) and a 14.9% (13.9% for men and 17.3% for women) exit turnover rate.

New hires in the Italmobiliare Group in 2017

	Italmobiliare Group							
	2016				2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Male	42	61	23	126	61	72	18	151
Female	16	34	8	58	10	33	21	64
Total	**58**	**95**	**31**	**184**	**71**	**105**	**39**	**215**

Number of terminations in the Italmobiliare Group in 2017

	Italmobiliare Group							
	2016				2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Male	22	50	30	102	40	56	38	134
Female	1	25	12	38	16	22	34	72
Total	**23**	**75**	**42**	**140**	**56**	**78**	**72**	**206**

The **type of contracts** adopted differ based on the company: in particular, Italmobiliare and Italgen have adopted the CCNL Cement and CCLN Industry executives, Clessidra has adopted the CCNL Commerce and Services, while SIRAP group has adopted the CCNL Rubber Industry and Plastic and the CCNL Managers of Industry. All of the Group employees (100%) are covered by different collective bargaining agreements that relate to the business affiliation of the company.

Diversity, equal opportunities and well-being

The Italmobiliare Group's Code of Ethics of expects that all employees and those who establish relationships with the Group or operate to pursue its objectives, behave in accordance with the principles of honesty, correctness, integrity, transparency, confidentiality and mutual respect. Italmobiliare carries out its activities in accordance with the current legislation to protect working conditions without any type of discrimination or retaliation for reasons of nationality, religious belief, political and trade union membership, language and gender.

To support what stated in the Code of Ethics, the Group employs **417 women** (representing 30.3% of total employees) comprising 54.0% of blue-collars, 42.7% of white-collars and 3.3% of managers.

With reference to professional categories, the majority of employees (62.2%) fall into the **blue collar** category, while 31.7% are in the **white-collar** category and 6.1% are **managers**.

Italmobiliare Group employees by professional category and gender at December 31, 2017 (n.)

	Italmobiliare Group					
	2016			2017		
	Male	Female	Total	Male	Female	Total
Management	69	12	81	70	14	84
White-collar	271	178	449	259	178	437
Blue-collar	604	235	839	632	225	857
Total	**944**	**425**	**1,369**	**961**	**417**	**1,378**

In terms of **age distribution**, the Group's employees are mostly concentrated within the 30 to 50 age group (60.1%), with 9.8% of employees below 30 years and 30.1% above 50 years.

Italmobiliare Group employees by professional category and age group at December 31, 2017 (n.)

	Italmobiliare Group							
	2016				2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Management	-	59	22	81	-	64	20	84
White-collar	36	319	94	449	39	304	94	437
Blue-collar	104	446	289	839	96	460	301	857
Total	**140**	**824**	**405**	**1,369**	**135**	**828**	**415**	**1,378**

The Italmobiliare Group employs personnel belonging to protected categories, which correspond to 15.6% of the total workforce, divided as indicated in the following table.

Italmobiliare Group employees belonging to protected categories by gender in 2017[23]

	Italmobiliare Group					
	2016			2017		
	Male	Female	Total	Male	Female	Total
Management	-	-	-	-	-	-
White-collar	6	5	11	6	4	10
Blue-collar	77	118	195	86	119	205
Total	**83**	**123**	**206**	**92**	**123**	**215**

[23] The SIRAP Group operating in Poland (Inline Poland) has a scheme for the placement of people with disabilities, which applies the Law no. 123.776 of August 27 1997 on “vocational rehabilitation and social employment people with disabilities”.

Valorization and Development of Human Capital

Italmobiliare is very attentive to the growth and development of its employees. Every company in the Group independently manages the training program to favour the acquisition of the necessary skills and competences by its personnel.

Over the course of 2017, over **14,856** training hours were provided with an average per capita of approximately 10.8 hours. As highlighted in the following table, the hours of training were greater for blue.-collar staff (55.7%) compared to white-collar (32.8%) and managers (11.5%).

Hours of training carried out by the Italmobiliare Group by professional category and gender[24]

	Italmobiliare Group											
	2016						2017					
	Male		Female		Total		Male		Female		Total	
	Hours	Average	Hours	Average	Hours	Average	Hours	Average	Hours	Average	Hours	Average
Management	1,353	19.6	468	39	1,821	22.5	1,304	18.6	396	28.3	1,700	20.2
Office Staff	1,499	5.5	989	5.6	2,487	5.5	2,712	10.5	2,166	12.2	4,877	11.2
Blue Collar	2,445	4	724	3.1	3,169	3.8	5,984	9.5	2,295	10.2	8,279	9.7
Total	**5,297**	**5.6**	**2,181**	**5.1**	**7,477**	**31.8**	**10,000**	**10.4**	**4,857**	**11.6**	**14,856**	**10.8**

Another fundamental aspect for the growth and development of employees is the **assessment process.** In 2017, performance evaluations were carried out in the Holding company and in the subsidiaries Italgen and SIRAP group, involving 282 Group employees (20.5% of the total), as shown in the table in the appendix[25].

In order to value and reward the effort of personnel, each company in the Group has a corporate **remuneration and welfare system** in place, which also includes certain benefits to improve work-life balance.

Italmobiliare and Italge

Italmobiliare and Italgen manage a remuneration policy based on a *merit matrix* that compares the performance and position level to the external market trend in terms of pay. A skills mapping is also created for key positions to monitor the expected level of technical and managerial knowledge. Attention to the external market serves to protect talented resources and to design internal succession plans to guarantee a medium-term planning of key figures.

The main benefits intended for executives are: life and non-occupational accidents insurance, a supplementary health insurance, an annual medical check-up and the corporate car. Blue collar workers and office staff have a non-occupational insurance policy while all other employees have a contractual health insurance policy. The allowance granted during the maternity leave is fully integrated (100%) in the value of remuneration.

[24] In the two-year period no training initiatives were carried out in Clessidra SGR S.p.A.
[25] Due to the change in management that occurred in the last two years, Clessidra SGR S.p.A. did not carry out any performance review.

Clessidra

Clessidra has adopted a remuneration and incentive system in line with the long-term corporate strategy, objectives, values and interests, the Alternative Investment Funds managed and the investors of such funds, including measures aimed at preventing conflicts of interest, through the careful management of business risks. These remuneration and incentive mechanisms support the competitiveness and governance of the company and make it possible to attract and retain employees with the right level of professionalism and ability. The remuneration and incentive policy supports the alignment of interests with investors, business and sustainability results, values, development and retention of professional skills, which creates a continuous interaction that allows a constant improvement of the remuneration practices adopted and the consolidation of the elements considered above.

The main benefits provided to executives are: life insurance, accident insurance, Medical Expenses Reimbursement policy, Permanent Disability insurance, an annual medical check-up and a company car. For managers and office staff there is insurance for cases of Permanent Disability from Illness, while all employees have access to a welfare plan.

SIRAP

SIRAP group uses a Management by Objectives system for executives and key talents.

The main benefits provided by the parent SIRAP Gema S.p.A are: birth bonus and the possibility to transform the company bonus (regulated by the second-level contract) into a package of welfare services. For all the companies belonging to the SIRAP group there is a Car Policy that applies to the members of the Management Committee as well as to the executives and managers who are entitled to a company car for both professional and private use.

Health and Safety of Employees

Aware of the fundamental importance of the health and safety of its employees, Italmobiliare SpA has adopted a Regulation for the Prevention of Occupational Accidents that describes the various programs and instruments aimed at reducing the risks of accidents in the business environment. This document represents the health and safety policy for the prevention of occupational risks. Furthermore, in compliance with Legislative Decree no. 81/2008, the Risk Assessment Document (DVR) is prepared and periodically updated.

In 2017, 9 accidents were recorded by the Italmobiliare Group (5 for men and 4 for women). None of these accidents were fatal.

Health and safety indicators of the Italmobiliare Group 2017 [26]

	Italmobiliare Group					
		2016			2017	
	Male	Female	Total	Male	Female	Total
Injuries	7	2	9	5	4	9
of which during the course of work	6	1	7	5	2	7
of which commuting	1	1	2	-	2	2
Lost days due to injuries or occupational disease	627	45	672	216	130	346
Severity index	0.45	0.07	0.33	0.15	0.19	0.16
Injury rate	4.75	1.90	3.92	3.87	3.80	3.85
Occupational disease rate	0.79	1.90	1.12	1.55	1.90	1.65
Total number of days of absence	8,110	6,239	14,350	8,510	6,596	15,106
Absentee rate	4.7%	7.5%	5.6%	4.8%	8.0%	5.8%

SIRAP

Among the companies controlled by Italmobiliare, SIRAP group stands out for its special attention to safety issues in the workplace and its "**zero accidents**" objective. The "**work in safety**" project, which was launched over seven years ago, has generated a progressive change in the behaviour adopted by employees throughout the organization. In order to eliminate accidents, SIRAP Group has developed multiple **communication and operational tools**:

- the Security Policy, an integral part of the "Development - Quality - Safety - Environment" policy;
- the "days without injury";
- a monthly report to convey the relevant facts.
- a Security Committee to initiate, coordinate and monitor the implementation of the Security policy;
- safe working procedures (“PLS”) for the more risky activities;
- the 5ESSE project (separate, sweep, fix, standardize, support) aimed at improving safety, productivity and quality and reducing waste;
- the Behaviour Observation System (BOS) which includes on-site verification by the General Management;
- the Safety Dialogue SIRAP (SDS), an observation system aimed at embedding positive attitudes, actions and behaviours and identifying areas for improvement.

As a demonstration of the cultural change of SIRAP group towards the issues related to health and safety of employees, the 2017 accident rate (that is the ratio between the total number of accidents and the total number of hours worked) is 4.5, representing a slight decrease compared to 2016.

[26] The perimeter of the data related to health and safety does not include Petruzalek and the temporal data for Rosa Plast Due S.r.l. of 2016 refers to the period in which it was acquired (July-December).
The injury rate was calculated according to the following formula: (injuries in the workplace/hours worked)*1,000,000.
The severity rate was calculated with the following formula: (days of absence due to injuries or occupational disease/ workable hours)*1.000.
The rate of occupational disease was calculated with the following formula: (recognized occupational diseases/ hours worked)*1,000,000.
The absentee rate was calculated with the following formula: (days of absence/ workable days)%.

Italgen

For Italgen, health and safety in the workplace are fundamental values that are integrated into all of its activities. The attention to these issues is demonstrated by the **Health and Safety Policy** (present on panels positioned around the workplace) and by the implementation and dissemination of the Safety Management System at Work according to the UNI-INAIL Guidelines. Italgen's commitment translates primarily into the adoption of concrete measures to prevent accidents and work-related illnesses, training, awareness programs and equipment for workers that allows them to carry out tasks in safe and healthy conditions.

Products, services and *customer care*

Self-produced electricity from renewable sources: 914,704.4 GJ

Full Certificate Project by SIRAP Group

Group suppliers: approximately 4,300

The quality and reliability of the service and customer satisfaction are important matters for the Group especially for companies operating in the industrial sector (namely SIRAP group and Italgen) for which more detailed information is provided in this section.

Quality of products and services

SIRAP

The SIRAP group invests a great deal of effort in the **development of innovative solutions** for every packaging need, including rigid containers in expanded polystyrene, polypropylene and a wide range of commercialized products dedicated to fresh products and large food distribution industries. One of the focal points of the Group's policy is the aim for **continuous improvement**, which translates into actions to optimize and enhance the effectiveness of health, safety, quality and environmental management systems. SIRAP group is constantly striving to ensure the **highest quality of its products**, with every stage of the production process undergoing more than 1100 daily checks in every plant. This results in over 200 thousand quality controls that provide a guarantee for customers and enables the group to retain high levels of competitiveness. Moreover, every year the **internal laboratory** collaborates with various Universities and Research Institutes to test over 3000 products in relation to their food and technological suitability, the mechanical, thermal, optical, chemical-physical material properties, gas permeability and structural analysis. The legal compliance of the products is periodically verified by third-party laboratories to guarantee, in combination with the constant control of the processes and the use of appropriate raw materials, the production of goods that are compliant and of good quality.
In particular, most of the SIRAP plants are ISO 9001 certified with regards to the quality management system, with the exception of the French site Remoulins which is expected to receive the certification in 2018, and the Universal Imballaggi plant in Palermo and the Hungarian Petruzalek plant, which will both start the certification process in 2019. With the "**Full Certificate Project**" SIRAP group is also expecting to obtain external certifications in the field of quality and food safety. In particular, the Verolanuova headquarters and the Castelbelforte and Remoulins plants have obtained the BRC (British Retailer Consortium) food safety certification, while the Polish plant in Murowana has achieved the ISO 22000 certification for food management.

Italgen

For over a century, Italgen has **produced and distributed electricity from renewable sources** in Italy and abroad. The production structure in Italy consists of 15 hydroelectric plants in Lombardy, Piedmont and Veneto and a photovoltaic plant in Emilia Romagna. Over the years, Italgen has **developed internationally** by completing wind farm constructions in Bulgaria, Turkey and Morocco and launching the largest project in the sector in Egypt. In addition, a thermal-solar park with CSP (Concentrated Solar Power) technology was built in Morocco[27].

[27] Please note that the company (Gardawind S.r.l) of the aforementioned wind farms is connected by a 49% to Italgen.

In 2016, Italgen served 102 PODs (Point of Delivery), of which 94 were industrial (89 that purchase energy and 5 that are powered by power lines), 2 wholesalers and 1 stock market. The following year registered a decrease in the number of PODs served, specifically 77 PODs, of which 67 were industrial, 4 wholesalers, and 1 stock market. This change resulted from the implementation of a new sales strategy aimed at reducing price risk to limit the number and volume of industrial customers to wholesalers. During the reporting year there were three interruptions of service, with a total duration of 8 hours, which impacted the facilities of two customers served: consequently the frequency of service interruption rate is currently equal to 1.5 (calculated as the ratio between the number of interruptions occurred and the number of establishments affected by interruption) and the average service interruption index is equal to 4 (calculated as the ratio between the total duration of service interruptions and the number of establishments affected by interruption). The service interruptions were caused or connected to meteorological events (lightning), which is similar with what occurred in 2016.

One of the fundamental objectives of Italgen's mission, as stated in its Quality Policy, is to constantly improve the quality of its products and the service offered to customers. To do this the group focuses on three aspects: consolidating **high quality standards** of electricity production coming exclusively from water, wind and solar sources; **optimizing** business processes; and continuously verifying the efficiency and performance of installations. In order to guarantee production efficiency, continuity of service, the timely identification of any critical issues, and the fulfillment of requirements of its products and services, the group has developed an automated system to constantly monitor the entire production process and of the functioning parameters of the central plants. The results of this monitoring together with conformity assessment and internal audits permits the definition of opportunities for improvement and the updating of the Integrated Management System and of the products and services.

Attention towards customers / investors

<u>Clessidra</u>

The concept of **transparency** forms the basis on which Clessidra manages its relationship with actual and potential clients. The concept of transparency is upheld in two ways: by placing it at the center of the mode of interaction with customers, and by basing the choice and the decision-making processes inherent to its customers on traceable evidence. For Clessidra the **quality of the services offered** is of fundamental importance, since the performance of the Fund and its solidity are essential requisites that must be guaranteed to subscribers. With regards to the creation of value, the investment strategy developed by the Company is based on a number of key pillars:

- control or co-control investments in medium and large Italian companies;
- acquisition of minority shareholdings;
- strong engagement of the management of the acquired companies;
- solid industrial approach aimed at creating value in collaboration with the entrepreneur and management.

Clessidra's **solidity** is guaranteed by many factors, such as the presence of high-caliber Italian and foreign institutional investors (including major Italian financial institutions), a decision-making center based exclusively in Italy with total independence and a successful track record in the creation of value in the medium-long term, in partnership with entrepreneurs and families. Furthermore, every decision aims at creating a diversified investment portfolio that guarantees the Fund's high profitability.

SIRAP e Italgen

The focus on the customer is rooted in SIRAP group's work and is a cornerstone of the company's "Development - Quality - Safety - Environment" policy. The goal is to guarantee the best final product, characterized by high quality standards, together with food safety obtained with the best technologies to protect consumers. The customer can rely on SIRAP group for existing food packaging products and in the development of tailor made solutions. The aim of the group is to continuously improve the product / service offered on an annual basis. In order to assess the degree of ***customer satisfaction*** with regard to the quality of the product, service and technical assistance and development of new products, SIRAP group carries out direct interviews with customers of the various channels (distributors, retail and industry) following a specific form. In comparison to 2016, no substantial changes occurred with regards to the management of the *customer satisfaction* assessment.

Customer relations are managed by Italgen through **different methods**, depending on whether the sale of the energy produced is directed towards consumers, energy service managers, or the national stock exchange. The objectives of the company's quality policy revolve around offering **tailor-made solutions**, providing timely feedback to any problems encountered by customers, as well as the guaranteeing high competence in solving the problems associated with the supply of electricity and the billing of consumption. In accordance with the Integrated Management System requirements, Italgen takes special care towards customer satisfaction by collecting **information, comments and complaints** in order to implement solutions and improvement plans. There are currently no *surveys* dedicated to measuring customer satisfaction; individual requests are simply evaluated and processed.

Responsible procurement practices tices

The Italmobiliare Group has defined procedures to ensure a **responsible and structured supply of goods** and services. The process of qualification, evaluation and selection of suppliers takes place in compliance with the principles of cost effectiveness, promptness and effectiveness, free competition and equal treatment, while guaranteeing the respect of the appropriate regulatory requirements.

In order to achieve the **highest level of service** and efficiency in the selection of almost **4,300 Group suppliers**[28]**,** additional elements are considered, such as: the technical capacity, punctuality, compliance of delivery to requests, pre-existing relationships with other Group companies, the specific nature of the assignment and the adequacy of the Group's structure and needs. In addition to this, the assessment takes into account the supplier's reputation and reliability (including ethical and legal reliability) and its adhesion to the principles contained in the Code of Ethics of the Group companies. Similarly, for the assignment of consulting projects, the principles of economic efficiency, competence, transparency, correctness, objectivity and traceability of the activities are considered.

[28] The perimeter of the data does not include Clessidra SGR as its supply chain is not deemed as relevant.

The policies and procedures implemented by the Group for the purchase of goods, services and consultancy, are aimed at building relationships with suppliers based on the principles described above.

Proportion of spending on local suppliers at December 31, 2017[29] [30]

	Italmobiliare Group	
	2016	2017
Estimated total monetary value of payments made to suppliers (in euros)	429,067,721	274,845,647
Purchase revenue from local suppliers (in euros) [1]	343,607,465	180,778,776
Percentage of the procurement budget used for significant operational sites spent on local suppliers	80%	66%

[1] The information does not include the purchase turnover from local suppliers of Petruzalek as the management in place does not allow data extraction

SIRAP and Italgen are particularly impactful in terms of supply chain and, being production companies, have a more structured management as specified below. The parent Italmobiliare S.p.A. follows a more traditional procurement practice which is mostly concentrated in consultancy work.

SIRAP

For the procurement process, SIRAP group is oriented towards the **exclusive selection of reliable and qualified suppliers** that are able to ensure the consistency and quality of the products and services offered and, to this end, a **periodic monitoring** system has been developed. The choice of suppliers is made through an objective and transparent assessment that also takes into account the honesty and integrity of the supplier and its ability to provide and guarantee services at a satisfactory level. Similarly to previous years, in 2017 the environmental and social considerations did not constitute, in a structured manner, a selection criterion for suppliers, other than the communication of the principles in the Code of Ethics. Accordingly, in 2017, out of the 812 total new suppliers registered, 24 were selected with reference to environmental considerations (in particular, compliance with the environmental regulations contained in the Code of Ethics was taken into consideration and the collection and verification of suppliers dealing with waste disposal) and 29 with reference to social considerations (in particular, attention was given to the signing of the Code of Ethics)., representing 2.9% and 3.6% respectively. These figures mostly refer to the parent SIRAP Gema S.p.A.

[29] The variation between 2016 and 2017 is caused by the acquisition of the share of Italgen S.p.A. and BravoSolution S.p.A. by Italcementi S.p.A. from Italmobiliare S.p.A., that occurred in 2016.

[30] Local supplier refers to a supplier whose geographical location coincides with that of each entity considered.

Italgen

In the supplier selection phase, Italgen checks that the processes, products and services bought do not negatively influence the ability to ensure punctuality and high quality standards to its customers. **Suppliers are assessed annually** through the analysis of collected data related to non-compliance and to the parameters reported in a dedicated Policy. In addition, each supplier is assigned a score based on the outcomes of acceptance checks. With regard to **environmental aspects**, the selection process takes into consideration the possession of environmental and quality certification, in addition to any authorizations necessary for the supply of the requested activity. To date, environmental and social parameters are not used as a criteria for the selection of suppliers but, with the aim of increasing the attention towards these parameters, the certification UNI EN ISO 14001, EMAS and / or other verifications of the environmental management system, as well as the adhesion to the principles of the Code of Ethics and Model 231, will be requested during the qualification phase and / or stipulation of the contract for the product categories that are more sensitive to environmental risk (such as works, maintenances, deliveries and installations).

Responsibility towards the community

Initiatives and sponsorships

ITALMOBILIARE

The relationship with the community is of fundamental importance to Italmobiliare. It is a promoter of Fondazione Pesenti, which engages in significant number of initiatives in favor of the community through the support given to the activities of various associations, foundations, non-profit organizations and other local entities.

During 2017, Italmobiliare S.p.A. supported various associations including:

- the Community of San Patrignano which is dedicated to the recovery of people affected by any form of addiction;
- AMREF Flying Doctors, a humanitarian organization that aims to improve health in Africa through the involvement of local communities and allocates a large part of its resources to the training of medical personnel on site;
- the IEO - CMM Foundation whose mission is to finance the oncological research of the European Institute of Oncology and the Cardiovascular Institute of the Monzino Cardiology Center.

Italmobiliare S.p.A. has also started a collaboration with the Teatro alla Scala Foundation in Milan by supporting the "Grandi Spettacoli per Piccoli" project with the aim of promoting the dissemination of innovative programs and initiatives for the development of ideas, projects and actions capable of creating a positive impact at the social and cultural level, with particular attention to the new generations.

The Company in line with the values of corporate social responsibility, has joined the **Corporate Golden Donor** program of FAI - Fondo Ambiente Italiano confirming the Company’s attention and commitment to the protection and valorization of the Italian artistic and environmental heritage.

The Group companies have always been committed to developing engagement and dialogue initiatives for the communities and the territories in which they operate.

SIRAP

The SIRAP group supports various associations operating in the territory or at national level. The main associations are:

- AVIS (Italian Association of Blood Volunteers), a national association that guarantees the adequate availability of blood and its components for all patients;
- "Il Dono di Luca", an association that works to support research for brain tumors in children and promotes interventions to support children in cancer treatment and to their families who do not reside in the places of care;
- other religious communities active in the community and shelters present at the local and national territory

SIRAP has developed a strong relationship with the local community of Verolanuova, in the province of Brescia, where SIRAP Gema S.p.A has its headquarters: the company is engaged with the local social cooperative that employs people with disabilities to manage services such as the maintenance of green areas, cleaning of offices and establishments, and in delivering other types of activities.

In 2017, SIRAP also supported the Teatro alla Scala Foundation in Milan.

Italgen

Italgen aims at enhancing and developing relationships with the territory through openness, dialogue with local communities, and by listening to the needs of the territory. There are numerous initiatives that fall within this area, including:

- the environmental impact study (spring 2017) carried out in Egypt for the assessment of the migratory flows of the birds flying over the site destined for the Italgen wind project. The study was performed during the autumn migration of 2016 and presented to the Egyptian authorities and local communities at the end of May 2017;
- support for the Fondazione Teatro alla Scala in Milano;
- support for the PalaGhiaccio IceLab in Bergamo;
- contributions to the public lighting of the Comune di Olmo al Brembo;
- educational support for students through scholarships;
- “Porte Aperte” initiative promoted by the company that has planned the extraordinary opening of the Ponte Nembro plant;
- "Porte Aperte Centrale Ponte dell'Acqua" to support the CAI-UNICEF initiative "Aiutiamo i giovani a scalare il futuro", an initiative promoted by the Provincial Committee of Bergamo for UNICEF, in collaboration with the CAI of the Alta Val Brembana and other local authorities;
- support for local sporting events such as the "Eugenio Mercorio" timed uphill cycle race and the "Millegradini" walk

Lastly, in 2017 Italgen renewed its sponsorship of the MED Forum 2017 - Mediterranean Dialogues event, organized by the Ministry of Foreign Affairs and International Cooperation and ISPI (Institute for International Political Studies) under the patronage of the Italian President.

Clessidra SGR S.p.A.

Throughout 2017, Clessidra SGR provided its support to the Dynamo Camp Association, a non-profit organization that pursues social solidarity goals and non-profit work in the social assistance and socio-health sector. The company also sponsored the Spazio Teatro No'hma Teresa Pomodoro.

Annex

Italmobiliare S.p.A. – Participation in initiatives and professional associations

Assonime	Italian-Egyptian Business Council
Europeanissuers	ISPI – Institute for International Political Studies
AIDAF – Family Business Netw ork	Italian Initiative Group of the Italian Embassy in Brussels
American Chamber of Commerce in Italy	Assolombarda
Business Forum Italia - Thailand	

SIRAP Gema S.p.A. - Participation in initiatives and professional associations

Industrial Associations of Brescia, Mantova, Arezzo e Pordenone

Italgen S.p.A. - Participation in initiatives and professional associations

Confindustria Bergamo
RES4MED+RES4AFRICA
Althesys
Future Electricity

Clessidra SGR S.p.A. - Participation in initiatives and professional associations

AIFI
Invest Europe

Chapter: Environmental responsibility

Conversion factors 2016			
Electricity	GJ/kWh	0.0036	GRI Sustainability Reporting Guidelines, Version 3.1
Natural Gas	TJ/smc	3.50197E-05	Standard national parameters table updated 2016
Natural Gas	smc/mc	1.002	https://enigaseluce.com/info/coefficiente-c-gas
Fuel	GJ/t	42.877	Standard national parameters table updated 2016
Fuel	kg/l	0.835	Average value from data sheet on safety oil heating ENI – 2012

Conversion factors 2017			
Electricity	GJ/kWh	0.0036	GRI Sustainability Reporting Guidelines, Version 3.1
Natural Gas	TJ/smc	0.000035134	Standard national parameters table updated 2017
Natural Gas	smc/mc	1.002	https://enigaseluce.com/info/coefficiente-c-gas
Fuel	GJ/t	42.877	Standard national parameters table updated 2017
Fuel	kg/l	0.835	Average value from data sheet on safety oil heating ENI – 2012

Conversion factors			Sources 2016
Natural Gas	tCO2/TJ	55.837	Standard national parameters table updated 2016
Fuel	tCO2/TJ	73.578	Standard national parameters table updated 2016
Market Based			
Electricity (Italia)	gCO2/kw h	465.11	European Residual Mixes 2016
Electricity (Francia)	gCO2/kw h	46.33	European Residual Mixes 2016
Electricity (Polonia)	gCO2/kw h	851.04	European Residual Mixes 2016
Electricity (Ungheria)	gCO2/kw h	368.71	European Residual Mixes 2016
Location Based			
Electricity (Italia)	g CO2/kWh	375	Terna, international comparison 2015
Electricity (Francia)	g CO2/kWh	43	Terna, international comparison 2015
Electricity (Polonia)	g CO2/kWh	792	Terna, international comparison 2015
Electricity (Ungheria)	g CO2/kWh	289	Terna, international comparison 2015

Conversion factors			Sources 2017
Natural Gas	tCO2/TJ	55.897	Standard national parameters table updated 2017
Fuel	tCO2/TJ	73.578	Standard national parameters table updated 2017
Market Based			
Electricity (Italia)	gCO2/kw h	465.11	European Residual Mixes 2016
Electricity (Francia)	gCO2/kw h	46.33	European Residual Mixes 2016
Electricity (Polonia)	gCO2/kw h	851.04	European Residual Mixes 2016
Electricity (Ungheria)	gCO2/kw h	368.71	European Residual Mixes 2016
Location Based			
Electricity (Italia)	g CO2/kWh	375	Terna, international comparison 2015
Electricity (Francia)	g CO2/kWh	43	Terna, international comparison 2015
Electricity (Polonia)	g CO2/kWh	792	Terna, international comparison 2015
Electricity (Ungheria)	g CO2/kWh	289	Terna, international comparison 2015

Table concerning the material aspect boundaries and the reconciliation with the relevant GRI topics

AREA	Material Topic	Boundary	Main stakeholder interested	Role of Italmobiliare Group	Reconciliation with the GRI Topics
GOVERNANCE AND INTEGRITY	Risk management	Italmobiliare Group	All	Direct	N.A.
	Ethics and business integrity	Italmobiliare Group	All	Direct	Socioeconomic Compliance Anti-competitive behavior Anti-corruption
ECONOMIC RESPONSIBILITY	Economic and financial results and value creation	Italmobiliare Group	Shareholders, Investee companies, Financial community	Direct	Economic performance
RESPONSIBLE MANAGEMENT OF SERVICES	Research and Development	SIRAP group, Italgen S.p.A.	Customers, Territory/ Community	Direct, Contribution	N.A.
	Data protection	Italmobiliare Group	Customers, Regulatory bodies	Direct	Customer Privacy
	Human rights	Italmobiliare Group	All	Direct	Freedom of Association and Collective Bargaining Child labor Forced or Compulsory labor
	Safety of the products/ services provided	SIRAP group, Italgen S.p.A.	Customers, Suppliers, Territory/ Community	Direct, Contribution	Customer Health Safety
	Quality and reliability of the service and customer satisfaction	Italgen S.p.A.	Customers, Territory/ Community	Direct	Organizational profile – Electric Utility Sector Efficiency of the system – Electric Utility Sector Access – Electric Utility Sector
RESPONSIBLE INVESTMENTS	Principles of sustainable investment	Italmobiliare S.p.A., Clessidra SGR S.p.A.	Shareholders, Financial community	Direct	Active property – Financial Sector
	Governance of the investee companies	Italmobiliare Group	Shareholders, Investee companies, Financial community	Direct	N.A.
	Transparency	Italmobiliare S.p.A., Clessidra SGR S.p.A..	Shareholders, Financial community, Regulatory bodies	Direct	N.A.
	Reliability of the investments	Italmobiliare S.p.A., Clessidra SGR S.p.A.	Shareholders, Financial community	Direct	N.A.
RESPONSIBILITY TOWARDS THE COLLABORATORS	Welfare and development of the employees	Italmobiliare Group	Employees	Direct	Employment Training and Education
	Health and safety in the w orkplace	Italmobiliare Group	Employees	Direct	Occupational Health and Safety
	Diversity, inclusion and non-discrimination	Italmobiliare Group	Employees	Direct	Diversity and Equal Opportunity Non-discrimination

AREA	Material Topic	Boundary	Main stakeholder interested	Role of Italmobiliare Group	Reconciliation with the GRI Topics
RESPONSIBILITY TOWARDS THE SUPPLIERS	Sustainable management of the supply chain	SIRAP group, Italgen S.p.A.	Suppliers, Customers	Direct	Supplier Social Assessment
					Supplier Environmental Assessment
RESPONSIBILITY TOWARDS THE COMMUNITY	Local communities	SIRAP group, Italgen S.p.A.	All	Direct	Local Communities
ENVIRONMENTAL RESPONSIBILITY	Management of water resources and of the quality of water discharges	SIRAP group, Italgen S.p.A.	Territory/ Community	Direct	Water
		SIRAP group, Italgen S.p.A.	Territory/ Community	Direct	Effluents and Waste
	Energy management	Italmobiliare S.p.A., SIRAP group, Italgen S.p.A.	Territory/ Community	Direct	Energy
	Emissions into the atmosphere and mitigation of climate change	Italmobiliare S.p.A., SIRAP group, Italgen S.p.A.	Territory/ Community	Direct	Emissions

Chapter: Economic responsibility

Determination of the Generated Value (values in thousands of euros)	**2016**	**2017**
Revenues and income	451,028	507,625
Change in inventories	1,251	-424
Internal w ork capitalized	6,093	5,072
Other income	6,229	9,629
Financial Income	164	481
Exchange rate differences and net gain (losses) on derivatives	-1,654	-2,714
Impairment losses on financial assets	-26,232	-21
Share of profit/(loss) of equity-accounted investees	-509	246
Discontinued operations	81,626	0
Economic value directly generated	**517,996**	**519,894**

Economic value distributed (values in thousands of euros)	**2016**	**2017**
Reclassified operating expense	255,296	235,200
Raw materials and supplies	147,639	136,159
Services	72,221	67,880
Impairment losses on non-current assets	316	0
Other operating income (expense)	36,204	31,161
Personnel remuneration	150,786	139,537
Personnel expense	150,786	139,537
Remuneration of lenders	4,077	4,107
Financial costs	4,077	4,107
Shareholder remuneration	34,135	23,374
Profit distribution for the year [1]	22,900	23,100
Non-controlling interests	11,235	274
Remuneration of the Public Administration	18,555	6,238
Taxes for the year	18,555	6,238
Community remuneration	1,070	578
Liberality and sponsorships	1,070	578
Value retained by the company	54,063	110,860
Profit for reserve year	68,209	91,872
Amortization and depreciation	19,989	18,988
Distributed economic value	517,996	519,894

[1] The value indicated for the distribution of the profits to Shareholders corresponds to what the Board of Directors of Italmobiliare S.p.A has decided to propose to the Shareholders' Meeting for approval.

Chapter: Responsibility in the management of activities – Human Resources management

Total number of employees by geographical segment by type of contract and gender at December 31, 2017 (no.)

	Italy					
	2016			2017		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent	454	118	572	458	118	576
Fixed term	23	10	33	32	7	39
Total	**477**	**128**	**605**	**490**	**125**	**615**

	France					
	2016			2017		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent	166	39	205	163	39	202
Fixed term	1	5	6	1	1	2
Total	**167**	**44**	**211**	**164**	**40**	**204**

	Poland					
	2016			2017		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent	86	95	181	93	95	188
Fixed term	62	84	146	65	90	155
Total	**148**	**179**	**327**	**158**	**185**	**343**

	Hungary					
	2016			2017		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Permanent	152	71	223	149	62	211
Fixed term	-	3	3	-	5	5
Total	**152**	**74**	**226**	**149**	**67**	**216**

Average number of external workforce by gender

	Italmobiliare Group					
	2016			2017		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Agency (temporary, self-employed, external collaborators)	75.1	28.2	103.3	74.0	45.0	119.0
Inters	11.1	5.0	16.1	9.0	1.0	10.0
Total	**86.2**	**33.2**	**119.4**	**83.0**	**46.0**	**129.0**

Number of new hires, terminations and turnover rates of the employees by geographical segment [31]

Italy	2016					2017				
	New hires					New hires				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	17	39	11	67	14.0%	32	35	7	74	15.1%
Female	6	13	2	21	16.4%	2	5	-	7	5.6%
Total	**23**	**52**	**13**	**88**	**14.5%**	**34**	**40**	**7**	**81**	**13.2%**
Rate	**51%**	**14%**	**7%**	**15%**		**67%**	**11%**	**4%**	**13%**	
	Terminations					Terminations				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	10	25	18	53	11.1%	16	25	21	62	12.7%
Female	-	5	3	8	6.3%	4	3	2	9	7.2%
Total	**10**	**30**	**21**	**61**	**10.1%**	**20**	**28**	**23**	**71**	**11.5%**
Rate	**22%**	**8%**	**12%**	**10%**		**39%**	**8%**	**12%**	**12%**	

France	2016					2017				
	New hires					New hires				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	2	4	-	6	3.6%	1	-	2	3	1.8%
Female	1	3	-	4	9.1%	-	1	1	2	5.0%
Total	**3**	**7**	**-**	**10**	**4.7%**	**1**	**1**	**3**	**5**	**2.9%**
Rate	**33%**	**5%**	**0%**	**5%**		**25%**	**1%**	**6%**	**3%**	
	Terminations					Terminations				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	-	2	2	4	2.4%	1	3	2	6	3.7%
Female	-	2	1	3	6.8%	2	3	1	6	15.0%
Total	**-**	**4**	**3**	**7**	**3.3%**	**3**	**6**	**3**	**12**	**5.9%**
Rate	**0%**	**3%**	**5%**	**3%**		**75%**	**4%**	**5%**	**6%**	

Poland	2016					2017				
	New hires					New hires				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	19	9	9	37	25.0%	22	18	8	48	30.4%
Female	7	11	6	24	13.4%	7	20	18	45	24.3%
Total	**26**	**20**	**15**	**61**	**18.7%**	**29**	**38**	**26**	**93**	**27.1%**
Rate	**40%**	**14%**	**12%**	**19%**		**47%**	**24%**	**21%**	**27%**	
	Terminations					Terminations				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	12	8	6	26	17.6%	18	10	9	37	23.4%
Female	1	12	6	19	10.6%	9	7	24	40	21.6%
Total	**13**	**20**	**12**	**45**	**13.8%**	**27**	**17**	**33**	**77**	**22.4%**
Rate	**20%**	**14%**	**10%**	**14%**		**44%**	**11%**	**27%**	**22%**	

Hungary	2016					2017				
	New hires					New hires				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	4	9	3	16	10.5%	6	19	1	26	17.4%
Female	2	7	-	9	12.2%	1	7	2	10	14.9%
Total	**6**	**16**	**3**	**25**	**11.1%**	**7**	**26**	**3**	**36**	**16.7%**
Rate	**29%**	**10%**	**7%**	**11%**		**39%**	**16%**	**8%**	**17%**	
	Terminations					Terminations				
	<30 years old	30-50 years old	>50 years old	Total	Rate	<30 years old	30-50 years old	>50 years old	Total	Rate
Male	-	15	4	19	12.5%	5	18	6	29	19.5%
Female	-	6	2	8	10.8%	1	9	7	17	25.4%
Total	**-**	**21**	**6**	**27**	**11.9%**	**6**	**27**	**13**	**46**	**21.3%**
Rate	**0%**	**13%**	**13%**	**12%**		**33%**	**17%**	**33%**	**21%**	

[31] The turnover has been calculated by dividing the total number of new hires for the year by the total number of the staff employed throughout the year, in percentage.

Health and safety indicators for the subsidiaries of Italmobiliare Group by geographical area [32]

	Italy					
	2016			2017		
	Male	Female	Total	Male	Female	Total
Injuries	4	1	5	1	2	3
of which during the course of work	3	-	3	1	-	1
of which commuting	1	1	2	-	2	2
Lost days due to injuries or occupational disease	65	22	87	11	12	23
Severity index	0.08	0.10	0.08	0.01	0.05	0.02
Injury rate	4.0%	0.0%	3.2%	1.3%	0.0%	1.0%
Occupational disease rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of days of absence	4,215	884	5,099	3,760	816	4,576
Absentee rate	4.2%	3.1%	4.0%	3.5%	2.8%	3.4%

	France					
	2016			2017		
	Male	Female	Total	Male	Female	Total
Injuries	1	-	1	1	1	2
of which during the course of work	1	-	1	1	1	2
of which commuting	-	-	-	-	-	-
Lost days due to injuries or occupational disease	380	-	380	36	63	99
Severity index	1.23	0.00	0.97	0.12	0.81	0.26
Injury rate	3.6%	0.0%	2.9%	4.0%	16.5%	6.5%
Occupational disease rate	3.6%	14.3%	5.8%	8.0%	16.5%	9.7%
Total number of days of absence	1,949	481	2,430	2,131	446	2,577
Absentee rate	5.2%	4.9%	5.1%	6.0%	5.1%	5.8%

[32] The injury rate was calculated according to the following formula: (injuries in the workplace/hours worked)*1.000.000.
The severity rate was calculated with the following formula: (days lost due to injuries and professional diseases/ workable hours)*1.000.
The rate of occupational disease was calculated with the following formula: (recognized occupational diseases/ hours worked)*1.000.000.
The absentee rate was calculated with the following formula: (days of absence/ workable days)%.
The “total days of absence” refer to the days in which the employee did not show up at work, not solely as a consequence of an injury or disease. The days of permit agree to such as holidays, study permits, maternity or paternity are not included.
The perimeter of the data related to health and safety does not include Petruzalek and the temporal data for Rosa Plast Due S.r.l. of 2016 refers to the period in which it was acquired (July-December).

	Poland					
	2016			2017		
	Male	Female	Total	Male	Female	Total
Injuries	2	1	3	3	1	4
of w hich during the course of w ork	2	1	3	3	1	4
of w hich commuting	-	-	-	-	-	-
Lost days due to injuries or occupational disease	182	23	205	169	55	224
Severity index	0.65	0.06	0.32	0.56	0.15	0.34
Injury rate	8.6%	3.7%	6.0%	12.4%	3.7%	7.9%
Occupational disease rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of days of absence	1,946	4,874	6,820	2,619	5,334	7,953
Absentee rate	5.6%	10.7%	8.5%	7.0%	12.0%	9.7%

Employees that have received a performance and career development review in 2016 and 2017

	Italmobiliare Group											
	2016						2017					
	Male	% Male	Female	% Female	Total	% Total	Male	% Male	Female	% Female	Total	% Total
Management	45	65.2%	9	75.0%	54	66.7%	55	78.6%	13	92.9%	68	81.0%
Office Staff	64	23.6%	51	28.7%	115	25.6%	81	31.3%	63	35.4%	144	33.0%
Blue Collar	10	1.7%	2	0.9%	12	1.4%	57	9.0%	13	5.8%	70	8.2%
Total	**119**	**12.6%**	**62**	**14.6%**	**181**	**13.2%**	**193**	**20.1%**	**89**	**21.3%**	**282**	**20.5%**

	Italmobiliare S.p.A.											
	2016						2017					
	Male	% Male	Female	% Female	Total	% Total	Male	% Male	Female	% Female	Total	% Total
Management	10	100.0%	3	100.0%	13	100.0%	10	100.0%	4	100.0%	14	100.0%
Office Staff	3	100.0%	18	100.0%	21	100.0%	3	100.0%	16	100.0%	19	100.0%
Blue Collar	-	-	-	-	-	-	-	-	-	-	-	-
Total	**13**	**100.0%**	**21**	**100.0%**	**34**	**100.0%**	**13**	**100.0%**	**20**	**100.0%**	**33**	**100.0%**

	Clessidra SGR S.p.A.											
	2016						2017					
	Male	% Male	Female	% Female	Total	% Total	Male	% Male	Female	% Female	Total	% Total
Management	-	0.0%	-	0.0%	-	0.0%	11	100.0%	2	100.0%	13	100.0%
Office Staff	-	0.0%	-	0.0%	-	0.0%	6	100.0%	8	100.0%	14	100.0%
Blue Collar	-	0.0%	-	0.0%	-	0.0%	-	-	-	-	-	-
Total	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**17**	**100.0%**	**10**	**100.0%**	**27**	**100.0%**

SIRAP group												
	2016						2017					
	Male	**% Male**	**Female**	**% Female**	**Total**	**% Total**	**Male**	**% Male**	**Female**	**% Female**	**Total**	**% Total**
Management	32	74.4%	6	85.7%	38	76.0%	29	65.9%	7	87.5%	36	69.2%
Office Staff	36	15.5%	29	20.0%	65	17.2%	44	19.8%	34	22.8%	78	21.0%
Blue Collar	10	1.8%	2	0.9%	12	1.5%	57	9.9%	13	5.8%	70	8.8%
Total	**78**	**9.5%**	**37**	**9.6%**	**115**	**9.5%**	**130**	**15.5%**	**54**	**14.1%**	**184**	**15.0%**

Italgen S.p.A.												
	2016						2017					
	Male	**% Male**	**Female**	**% Female**	**Total**	**% Total**	**Male**	**% Male**	**Female**	**% Female**	**Total**	**% Total**
Management	3	100.0%	-	-	3	100.0%	5	100.0%	-	-	5	100.0%
Office Staff	25	83.3%	4	80.0%	29	82.9%	28	100.0%	5	100.0%	33	100.0%
Blue Collar	-	0.0%	-	-	-	0.0%	-	0.0%	-	-	-	0.0%
Total	**28**	**30.8%**	**4**	**80.0%**	**32**	**33.3%**	**33**	**36.7%**	**5**	**100.0%**	**38**	**40.0%**

Global Reporting Initiative Content Index

The following table depicts a summary of the main contents of the Consolidated Non-Financial Statement 2017 of Italmobiliare Group, according to the structure required by the «GRI Sustainability Reporting Standards», published in 2016 by the Global Reporting Initiative. The "Electric Utilities Sector Disclosures" and the "Financial Services Sector Disclosures", both published by the Global Reporting Initiative in 2013, were also taken into consideration to report specific material topics, respectively those of Italgen S.p.A, Italmobiliare S.p.A. and Clessidra SGR S.p.A. [33]

	Universal Standards	
GRI Standard	**Page Number**	**Information**
GRI 102: General Disclosures		
Organizational profile		
102-1	329	Name of the organization
102-2	330; 361	Activities, brands, products, and services
102-3	3	Location of headquarters
102-4	330; 331	Location of operations
102-5	329	Ow nership and legal form
102-6	330 - 331; 361 - 365	Markets served
102-7	329 330; 341 - 343; 354 - 360; 361 - 365	Scale of the organization
102-8	354 - 360	Information on employees and other w orkers
102-9	363 - 365	Supply Chain
102-10	326; 329	Significant changes to the organization and its supply chain
102-11	334 - 338	Precautionary Principle or approach
102-12	343; 346; 350; 365; 366; 368	External initiatives
102-13	343; 346; 350; 365; 366; 368	Membership of associations
GRI G4 EU-1*	352 - 353; 361 - 362	Installed capacity, broken dow n by primary energy source and by Regulatory regime
GRI G4 EU-2*	352 - 353; 361 - 362	Net energy output broken dow n by primary energy source and by regulatory regime
GRI G4 EU-3*	352 - 353; 361 - 362	Number of residential, industrial, institutional and commercial customer accounts
GRI G4 EU-4*	352 - 353; 361 - 362	Length of above and underground transmission and distribution lines by regulatory regime

[33] The perimeter of the indicators marked (*) is limited to Italgen S.p.A.; the perimeter of the indicators marked (**) is limited to the SIRAP Group; the perimeter of the indicators marked (***) is limited to Italmobiliare S.p.A and Clessidra SGR S.p.A.

	Universal Standards	
GRI Standard	**Page Number**	**Information**
Strategy		
102-14	6 - 339	Statement from senior decision-maker
Ethics and integrity		
102-16	331 - 333	Values, principles, standards, and norms of behavior.
Governance		
102-18	330; 334 - 336	Governance structure.
102-22	335	Composition of the highest governance bodies and its committees.
Stakeholder Engagement		
102-40	339	List of stakeholder groups.
102-41	355	Collective bargaining agreements.
102-42	339	Identifying and selecting stakeholders.
102-43	339	Approach to stakeholder engagement.
102-44	340	Key topics and concerns raised.
Reporting Practice		
102-45	326 - 327	Entities included in the consolidated financial statements.
102-46	326 - 327	Defining report content and topic Boundaries.
102-47	340	List of material topics.
102-48	This is the first consolidated non-financial statement published by the Italmobiliare Group.	Restatements of information.
102-49	This is the first consolidated non-financial statement published by the Italmobiliare Group.	Changes in reporting.
102-50	326	Reporting period.
102-51	This is the first consolidated non-financial statement published by the Italmobiliare Group.	Date of the most recent report.
102-52	328	Reporting cycle.
102-53	3	Contact point for questions regarding the report.
102-54	326	Claims of reporting in accordance w ith the GRI Standards.
102-55	378	GRI Content Index.
102-56	389	External assurance.

Topic-specific Standards			
GRI Standard	**Page Number**	**Omission**	**Information**
ECONOMIC			
Material topic: ECONOMIC PERFORMANCE			
GRI 103: Management Approach			
103-1	341 - 343; 361 - 362		Explanation of the material topic and its Boundary.
103-2	341 - 343; 361 - 362		The management approach and its components.
103-3	341 - 343; 361 - 362		Evaluation of the management approach.
GRI 201: Economic performance			
201-1	341 - 343		Direct economic value generated and distributed.
201-2*	361 - 362		Financial implications and other risks and opportunities due to climate change.

Topic materiale: PROCUREMENT PRACTICES			
GRI 103: Management Approach			
103-1	363 - 365		Explanation of the material topic and its Boundary.
103-2	363 - 365		The management approach and its components.
103-3	363 - 365		Evaluation of the management approach.
GRI 204: Procurement Practices			
204-1	363 - 365		Proportion of spending on local suppliers.

Material topic: ANTI-CORRUPTION			
GRI 103: Management Approach			
103-1	334 - 338		Explanation of the material topic and its Boundary.
103-2	334 - 338		The management approach and its components.
103-3	334 - 338		Evaluation of the management approach.
GRI 205: Anti-corruption 2016			
205-3	In 2017 no case of corruption w as registered.		Confirmed incidents of corruption and actions taken.

Topic-specific Standards			
GRI Standard	Page Number	Omission	Information
Material topic: ANTI-COMPETITIVE PRACTICES			
GRI 103: Management Approach			
103-1	334 - 338		Explanation of the material topic and its Boundary.
103-2	334 - 338		The management approach and its components.
103-3	334 - 338		Evaluation of the management approach.
GRI 206: Anti-competitive practices			
206-1	On the 24 June 2015, the European Commission disputed an anti-competitive behavior of various companies belonging to the SIRAP group betw een 202 and 2008 in relation to the expanded trays market. The sanction is related to the participation of some of the subsidiaries of the SIRAP group, w ith other companies operating in the sector, to different "cartels" in Italy, France and Eastern Europe. The fine amounted to 35. 8 million euros. On September 10 2015, Italmobiliare S.p.A, SIRAP Gema S.p.A and its subsidiaries filed an appeal against the decision of the European Commission through the General Court of the European Union. The judgement is still pending before the Court of Luxemburg.		Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.
GRI Sector Specific Indicators			
EU-12*	361 - 362		Transmission and distribution losses as a percentage of total Energy

ENVIRONMENT

Material topic: MATERIALS			
GRI 103: Management Approach			
103-1	349 - 350		Explanation of the material topic and its Boundary
103-2	349 - 350		The management approach and its components
103-3	349 - 350		Evaluation of the management approach
GRI 301: Materials			
301-1**	349 - 350	Information on the origin of the material (renew able / non-renew able) is not available in a structured form.	Materials used by w eight or volume

GRI Standard	Page Number	Omission	Information
		Topic-specific Standards	
Material topic: ENERGY			
GRI 103: Management Approach			
103-1	344		Explanation of the material topic and its Boundary
103-2	344		The management approach and its components
103-3	344		Evaluation of the management approach
GRI 302: Energy			
302-1	344		Energy consumption w ithin the organization
Material topic: WATER			
GRI 103: Management Approach			
103-1	345		Explanation of the material topic and its Boundary
103-2	345		The management approach and its components
103-3	345		Evaluation of the management approach
GRI 303: Water			
303-1	345	The value related to the w ithdraw al of w ater for 2016 represents an exceptional consumption mainly due to a loss that affected SIRAP Remoulins (F).	Water w ithdraw al by source
Material topic: EMISSIONS			
GRI 103: Management Approach			
103-1	344 - 345		Explanation of the material topic and its Boundary
103-2	344 - 345		The management approach and its components
103-3	344 - 345		Evaluation of the management approach
GRI 305: Emissions			
305-1	344 - 345		Direct (Scope 1) GHG emissions
305-2	344 - 345		Energy indirect (Scope 2) GHG emissions
Material topic: EFFLUENTS AND WASTE			
GRI 103: Management Approach			
103-1	346		Explanation of the material topic and its Boundary
103-2	346		The management approach and its components
103-3	346		Evaluation of the management approach
GRI 306: Effluents and Waste			
306-1	346		Water discharge by quality and destination

Topic-specific Standards			
GRI Standard	**Page Number**	**Omission**	**Information**
Material topic: ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach			
103-1	344 - 346; 350		Explanation of the material topic and its Boundary
103-2	344 - 346; 350		The management approach and its components
103-3	344 - 346; 350		Evaluation of the management approach
GRI 307: Environmental compliance			
307-1	344 - 346; 350	On May 27. 2016 a notice was received by the Universal Imballaggi plant in Palermo, because of the expiry of the authorization for emissions into the atmosphere, following which a new Environmental Single Authorization (AUA) was issued on the 31 May 2017. All of the documentation is available at the Palermo plant.	Non-compliance with environmental laws and regulations

Material topic: SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management Approach			
103-1	363 - 365		Explanation of the material topic and its Boundary
103-2	363 - 365		The management approach and its components
103-3	363 - 365		Evaluation of the management approach
GRI 308: Supplier Environmental Assessment			
308-1	363 - 365		New suppliers that were screened using environmental criteria

SOCIAL			
Material topic: EMPLOYMENT			
GRI 103: Management Approach			
103-1	355; 357 - 358; 374		Explanation of the material topic and its Boundary
103-2	355; 357 - 358; 374		The management approach and its components
103-3	355; 357 - 358; 374		Evaluation of the management approach
GRI 401: Employment			
401-1	355; 374		New employee hires and employee turnover
401-2	357 - 358		Benefits provided to full-time employees that are not provided to temporary or part-time employees

GRI Standard	Page Number	Omission	Information
		Topic-specific Standards	
Material topic: OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach			
103-1	358 - 360; 375 - 376		Explanation of the material topic and its Boundary
103-2	358 - 360; 375 - 376		The management approach and its components
103-3	358 - 360; 375 - 376		Evaluation of the management approach
GRI 403: Occupational Health and Safety			
403-2	358 - 360; 375 - 376		Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
Material topic: TRAINING AND EDUCATION			
GRI 103: Management Approach			
103-1	357; 376 - 377		Explanation of the material topic and its Boundary
103-2	357; 376 - 377		The management approach and its components
103-3	357; 376 - 377		Evaluation of the management approach
GRI 404: Training and Education			
404-1	357		Average hours of training per year per employee
404-3	357; 376 - 377		Percentage of employees receiving regular performance and career development reviews
Material topic: DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management Approach			
103-1	335; 354 - 356		Explanation of the material topic and its Boundary
103-2	335; 354 - 356		The management approach and its components
103-3	335; 354 - 356		Evaluation of the management approach
GRI 405: Diversity and Equal Opportunity			
405-1	335; 354 - 356		Diversity of governance bodies and employees

GRI Standard	Page Number	Omission	Information
		Topic-specific Standards	
Material topic: NON-DISCRIMINATION			
GRI 103: Management Approach			
103-1	331 - 333; 354 - 358		Explanation of the material topic and its Boundary
103-2	331 - 333; 354 - 358		The management approach and its components
103-3	331 - 333; 354 - 358		Evaluation of the management approach
GRI 406: Non-discrimination			
406-1	In 2017, no discrimination case was registered.		Incidents of discrimination and corrective actions taken
Material topic: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management Approach			
103-1	331 - 333; 354 - 358		Explanation of the material topic and its Boundary
103-2	331 - 333; 354 - 358		The management approach and its components
103-3	331 - 333; 354 - 358		Evaluation of the management approach
GRI 407: Freedom of association and collective bargaining			
407-1	Within the risk management system of the parent and of the investees, no significant violation in relation to human rights was registered for 2017.		Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
Material topic: CHILD LABOR			
GRI 103: Management Approach			
103-1	331 - 333; 354 - 358		Explanation of the material topic and its Boundary
103-2	331 - 333; 354 - 358		The management approach and its components
103-3	331 - 333; 354 - 358		Evaluation of the management approach
GRI 408: Child labor			
408-1	Within the risk management system of the parent and of the investee companies, no significant violation in relation to human rights was registered for 2017.		Operations and suppliers at significant risk for incidents of child labor

GRI Standard	Page Number	Omission	Information
		Topic-specific Standards	
Material topic: FORCED OR COMPULSORY LABOR			
GRI 103: Management Approach			
103-1	331 - 333; 354 - 358		Explanation of the material topic and its Boundary
103-2	331 - 333; 354 - 358		The management approach and its components
103-3	331 - 333; 354 - 358		Evaluation of the management approach
GRI 409: Forced or compulsory labor			
409-1	Within the risk management system of the parent and of the investee companies, no significant violation in relation to human rights w as registered for 2017.		Operations and suppliers at significant risk for incidents of forced or compulsory labor
Material topic: LOCAL COMMUNITIES			
GRI 103: Management Approach			
103-1	365 - 367; 352 - 353		Explanation of the material topic and its Boundary
103-2	365 - 367; 352 - 353		The management approach and its components
103-3	365 - 367; 352 - 353		Evaluation of the management approach
GRI 413: Local communities			
413-2	365 - 367; 352 - 353		Operations w ith significant actual and potential negative impacts on local communities.
Material topic: SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management Approach			
103-1	363 - 365		Explanation of the material topic and its Boundary
103-2	363 - 365		The management approach and its components
103-3	363 - 365		Evaluation of the management approach
GRI 414: Supplier social assessment			
414-1	363 - 365		New suppliers that w ere screened using social criteria

Topic-specific Standards			
GRI Standard	**Page Number**	**Omission**	**Information**
Material topic: CUSTOMER HEALTH AND SAFETY			
GRI 103: Management Approach			
103-1	361 - 363		Explanation of the material topic and its Boundary
103-2	361 - 363		The management approach and its components
103-3	361 - 363		Evaluation of the management approach
GRI 416: Customer health and safety			
416-2**	In 2017, no incidents of non-compliance concerning health and safety impacts of products and services occurred.		Incidents of non-compliance concerning the health and safety impacts of products and services
GRI Sector Specific Indicators			
EU-25*	In 2017 there was no injury or fatality to the public involving company assets.		Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases
EU-28*	361 - 362		Power outrage frequency
EU-29*	361 - 362		Average power outage duration
FS-10***	342 - 343		Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues
Material topic: CUSTOMER PRIVACY			
GRI 103: Management Approach			
103-1	361 - 363		Explanation of the material topic and its Boundary
103-2	361 - 363		The management approach and its components
103-3	361 - 363		Evaluation of the management approach
GRI 418: Customer privacy			
418-1	In 2017 there were no substantiated complaints concerning breaches of customer privacy and losses of customer data		Substantiated complaints concerning breaches of customer privacy and losses of customer data

Topic-specific Standards			
GRI Standard	**Page Number**	**Omission**	**Information**
Material topic: SOCIO-ECONOMIC PERFORMANCE			
GRI 103: Management Approach			
103-1	334 - 338		Explanation of the material topic and its Boundary
103-2	334 - 338		The management approach and its components
103-3	334 - 338		Evaluation of the management approach
GRI 419: Socio-economic compliance			
419-1	In 2017 no significant sanction for non-compliance with laws and regulations in the socio-economic area were received.		Non-compliance with laws and regulations in the social and economic area

Material topic: QUALITY AND CREDIBILITY OF THE SERVICES AND CUSTOMER SATISFACTION			
GRI Sector Specific Indicators			
EU -1*	In 2017, no incident in relation to the installed capacity occurred.		Installed capacity, broken down by primary energy source and by Regulatory regime

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

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of Consob Regulation no. 20267

To the board of directors of
Italmobiliare S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "Decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the consolidated non-financial statement of the Italmobiliare Group (the "Group") for the year ended 31 December 2017 prepared in accordance with article 4 of the Decree and approved by the board of directors on 6 March 2018 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Italmobiliare S.p.A. (the "Company") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the Decree and the Group's business and characteristics, to the extent necessary to enable an understanding of the Group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the Group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the Group's policies for the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the Decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion based on the procedures performed about the compliance of the NFS with the requirements of the Decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 Revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the Company's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 Analysing the material aspects based on the entity's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the Decree and taking into account the reporting standards applied.

2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the Decree.

3 Comparing the financial disclosures presented in the NFS with those included in the Group's consolidated financial statements.

4 Gaining an understanding of the following:

- the Group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the Decree;
- the entity's policies in connection with the aspects set out in article 3 of the Decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the Company's management personnel and personnel of Sirap Gema S.p.A., Italgen S.p.A. and Clessidra SGR S.p.A.. We also performed limited procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the Group's business and characteristics:

- at Company and subsidiaries level:
  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  b) we carried out analytical and limited procedures to check on a sample basis the correct aggregation of data in the quantitative information;
- we visited Sirap Gema S.p.A., Italgen S.p.A., Clessidra SGR S.p.A. and the Verolanuova and Vaprio sites, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of the Italmobiliare Group for the year ended 31 December 2017 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

Other matter

The comparative figures for the year ended 31 December 2016 presented in the NFS have not been examined.

Milan, 23 March 2018

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director

Summary of the resolutions

The Shareholders' Meeting held on 18 April 2018 in Milan, at Piazza Belgioioso no. 1, which was attended in person or by proxy by 164 shareholders bearing a total of 34,977,668 ordinary shares of the 47,633,800 shares constituting the share capital,

resolved

1) • to approve:

- the directors' report on operations;
- the 2017 financial statements, consisting of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes, which reflect a profit of 102,116,596 euros, as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations;

• to apportion the profit for the year as follows:

- to the 41,947,930 ordinary shares net of the 5,685,870 treasury shares held at April 18, 2018, a per-share dividend of 0.55 euros, for a total amount of 23,071,361.50 euros;
- to "Retained earnings", the residual amount of 79,045,234.50 euros;
- to severally authorize the Chairman, the Deputy Chairman and the Chief Executive Officer, should the number of ordinary treasury shares change before the dividend date:
- to increase "Retained earnings" by the amount corresponding to the dividend entitlement of any ordinary shares purchased,
- to reduce "Retained earnings" by the amount corresponding to the dividend entitlement of any ordinary shares sold.

2) to approve, expressing its advisory opinion, the first section of the Report on Remuneration prepared by the Directors.

3) • to revoke the resolution to authorise the purchase and disposal of the Company's own shares, adopted by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2017;

- to authorise, pursuant to and for the purposes of art. 2357 of the Italian Civil Code, the purchase, in one or more tranches, for a period of 18 (eighteen months) with effect from the date of this resolution, of ordinary shares of the Company up to a maximum number that, taking account on each occasion of the treasury shares held in the Company's portfolio, and of the number of Company shares held by its subsidiaries does not exceed the maximum number specified in the law that is for the time being applicable, giving a mandate to the Board of Directors to identify the number of shares to be purchased in relation to each of the aims specified above, before starting each of the individual purchase programmes;
- to establish that the consideration for the own shares to be purchased is no more than 15% higher or lower than the average reference price recorded on Borsa Italiana in the three trading days preceding each individual purchase transaction;

- to authorise the Board of Directors so that, pursuant to and for the purposes of article 2357-ter of the Italian Civil Code, it is able to dispose, at any time, in whole or in part, in one or more occasions, of the treasury shares purchased by virtue of the authorisation set in point 2 above through the disposal thereof inside or outside the stock exchange, also for the purpose of possible acquisitions and/or the development of alliances in accordance with the strategic policies of the Italmobiliare group, or as part of any future distribution of dividends or reserves, including in kind, or as part of management and employee incentive plans, or to intervene, in compliance with the applicable provisions, directly, or through intermediaries, to contain abnormal changes in share price and to regularise the course of trading and share price changes, when faced with momentary distorting phenomena linked to excess volatility or low trading liquidity, according to the terms, arrangements and conditions of the act of disposal of the own shares deemed to be most opportune in the interests of the Company, it remaining the case that the unit sale price (or, in any event, the unit value established in the disposal transaction) may in no case be lower than the average carrying price of the shares purchased on the basis of the authorisation, (it also remaining the case that this limit shall not be applicable if the shares should be allocated to employees of Italmobiliare S.p.A. and its subsidiaries, parent companies or other companies controlled by these latter companies, or to members of the Board of Directors of Italmobiliare S.p.A. who hold particular offices in conformity with the founding document, or who have specific operational positions, within the context of the share-based incentive plans for employees and directors - "stock options", as well as in the case of use of the own shares in the context of any extraordinary financial transactions or other uses deemed to be in the financial, operational and/or strategic interests of the Company). The authorisation pursuant to this point is granted without time limits;
- to ensure, pursuant to the law, that the purchases referred to in this authorisation are contained within the limits of the profits available for distribution plus the available reserves reported in the last set of financial statements (or interim accounts) approved at the moment the purchase is completed;
- to confer a mandate the Board of Directors to arrange for the appropriate accounts postings to be made, following the transactions to purchase or dispose of the Company's own shares, in accordance with the provisions of law and the accounting principles applicable at the time;
- to confer a mandate on the Chairman, the Deputy Chairman and the temporary Chief Executive Officer, with the right to subdelegate to ensure, also separately and through agents, the execution of the transactions that are the object of this resolution.

4) • to appoint as member of the Board of Directors Prof. Elsa Maria Olga Fornero, born in San Carlo Canavese (Turin), on 7 May 1948, until the expiry of the current mandate of the Board of Directors;

- to establish that the remuneration of said member of the Board of Directors should be equal to the amount which the Shareholders' Meeting resolved to award to the other members of the Board of Directors on 19 April 2017.

April 2018
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