Interim report at June 30, 2018

20
18

ITALMOBILIARE
INVESTMENT HOLDING

Interim report
at June 30, 2018

Interim report at June 30, 2018

July 31, 2018

ITALMOBILIARE
Società per Azioni
Head Office: Via Borgonuovo, 20
20121 Milan – Italy
Share Capital € 100,166,937
Milan Companies Register

Contents

The Half-year financial report has been translated from Italian into English solely for the convenience of international readers. The original Italian document should be considered the authoritative version.

Corporate bodies

Giampiero Pesenti		Honorary Chairman

Board of Directors

(Term ends on approval of financial statements at 12.31.2019)

Laura Zanetti	1-7	Chair
Livio Strazzera	1-6	Deputy Chair
Carlo Pesenti	1-2	Chief Executive/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	
Sebastiano Mazzoleni		
Luca Minoli	1	
Chiara Palmieri	1-3-6	
Clemente Rebecchini	7	
Antonio Salerno	6	
Paolo Sfameni	3-6-8	
Afra Casiraghi		Secretary to the Board

Board of Statutory Auditors

(Term ends on approval of financial statements at 12.31.2019)

Acting Auditors

Francesco Di Carlo	Chair
Angelo Casò	
Luciana Ravicini	

Substitute Auditors

Alberto Giussani
Paolo Ludovici
Giovanna Rita

Manager in charge of financial reporting

Mauro Torri

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 Risk 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 31, 2018

Company officers and delegation of powers

The current Board of Directors was elected at the Shareholders' Meeting of April 19, 2017, to hold office for the three-year period 2017-2019, that is, until approval of the financial statements as at and for the year ending December 31, 2019. The shareholders established the number of directors at 14.

On the same date, the Board appointed the company officers and assigned their powers.

The company By-laws provide that the Board of Directors be invested with full powers for the management of the company's ordinary and extraordinary operations. Therefore, the Board may perform all acts and draw up all dispositions that it deems appropriate for the attainment of the corporate purpose, with the sole exception of those acts and dispositions that, by law, are expressly reserved for the Shareholders.

The company By-laws attribute the **legal representation** of the company, severally, to the Chair, the Deputy Chair and the Chief Executive Officer.

Within the Board of Directors, the allocation of powers is as follows:

- to the **Executive Committee** all the powers and the assignments of the Board of Directors, except for those that the law and the By-laws do not allow to be delegated, to be exercised with a limit of 300 million euro, as deliberated most recently on June 7, 2018. The resolutions of the Executive Committee shall be reported to the Board of Directors at their next meeting;
- to the **Chair**, Laura Zanetti, in addition to the duties contemplated by the By-laws, among others the duty to present proposals for deliberation by the Board of Directors and/or the Executive Committee, to oversee and enforce compliance with the principles of Corporate Governance enacted by the company, to oversee the regularity of the meetings and activities of the corporate bodies and to oversee the activities of the Chief Operating Officer with respect to management of real estate. Also, the powers to negotiate and conclude any transaction or contract for the purchase-sale of real estate, for real estate trade-ins and divisions, for easements or real estate rights in general, accepting and requesting registrations, cancellations and annotations of mortgages, waiving legal mortgages and exonerating the keepers of property registers from all liability and with the power to appoint, for each transaction or contract, one or more representatives in her place with all the relevant powers, with a limit of 20 million euro signed jointly with the Chief Operating Officer;
- to the **Deputy Chair**, Livio Strazzera, the sole powers of legal representation, in accordance with the By-laws, to be exercised separately from the Chair;
- to the **Chief Executive Officer and Chief Operating Officer**, Carlo Pesenti, among others, the duty to present proposals for deliberation by the Board of Directors and/or the Executive Committee; to oversee the execution and implementation of investment plans drawn up by the Board of Directors and/or the Executive Committee; to supervise the management policies and the corporate development strategies of Italmobiliare and the main companies controlled directly or indirectly; to oversee and guide the operations of Italmobiliare and the main subsidiaries; to establish the guidelines for management of the main companies in which Italmobiliare directly or indirectly holds an equity investment enabling it to exert significant influence; to supervise the company organization and propose key organizational changes to the Board of Directors. Also, among others, in addition to the powers of representation envisaged by the By-laws, the powers to undertake any administrative act and measure concerning the management of the company, among which to carry out credit

and securities transactions, to undertake in the name of the company bonds of any kind including bonds secured by collateral, to accept guarantees, to grant collateral and guarantees in favor of third parties provided that such third parties are direct or indirect subsidiaries or associates of Italmobiliare, to purchase and sell government securities, bonds, land, stocks, company shareholdings, to carry out repurchase agreements and advances against securities. The powers assigned to the post of Chief Operating Officer may be exercised within a limit of 20 million euro per transaction; the powers assigned to the post of Chief Executive Officer may be exercised within a limit of 20 million euro, with the exception of financing transactions and transactions on derivatives, which may be exercised within a limit of 50 million euro, and sales of instruments of listed companies which may be exercised within a limit of 100 million euro per trading day. The Chief Executive Officer – Chief Operating Officer may be qualified as the officer with chief responsibility for the management of the company.

Our investments

PORTFOLIO COMPANIES

- TECNICA GROUP
- italgen passion for energy
- CAFFÈ BORBONE
- SIRAP
- CLESSIDRA società di gestione del risparmio
- L'ECO DI BERGAMO
- Gazzetta del Sud

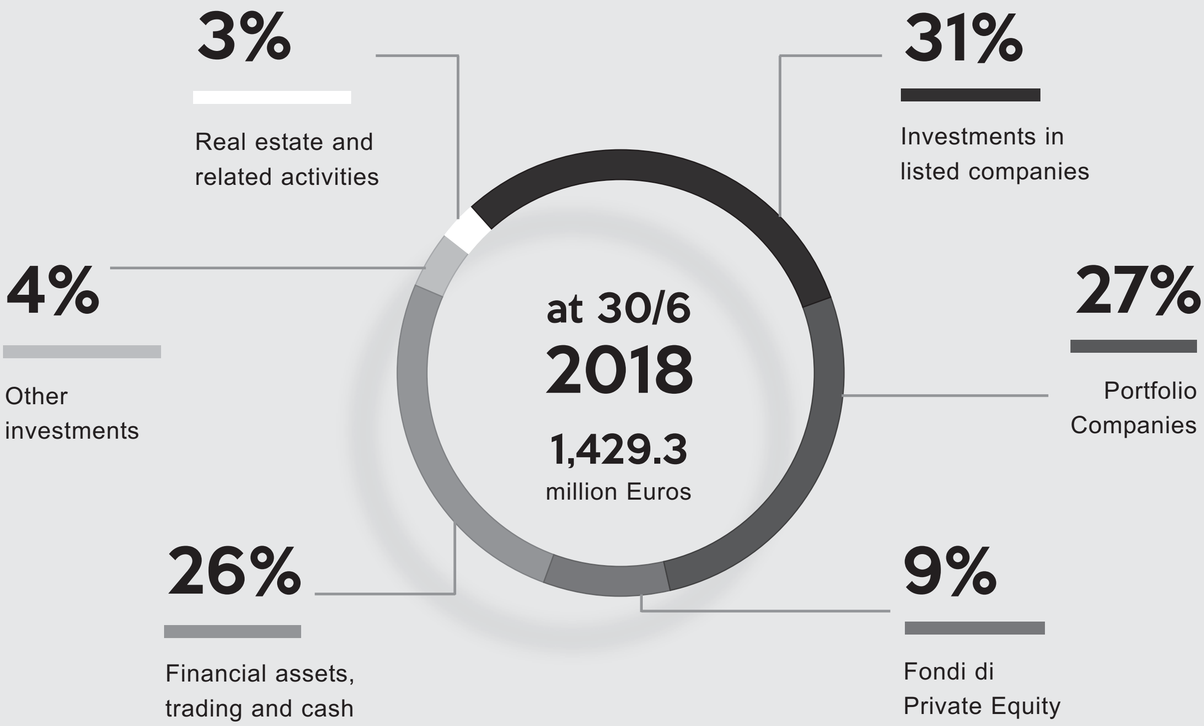
INVESTMENTS

- HEIDELBERGCEMENT
- VONTOBEL
- JAGGAER
- MEDIOBANCA

PRIVATE EQUITY

- CLESSIDRA Capital Partners 3
- BDT CAPITAL PARTNERS
- Aksìa group
- AMBIENTA Environmental Assets

Net Asset Value



	(million Euros)
Investments in listed companies	439.1
Portfolio Companies	392.8
Fondi di Private Equity	124.8
Financial assets, trading and cash	365.7
Other investments	55.7
Real estate and related activities	51.2
Total NAV at June 30, 2018	**1,429.3**

Nav per share	**34.1€**
NAV discount	**38.3%**

Directors' report

Foreword

The interim report as at and for the six months ended June 30, 2018 has been drawn up in accordance with article 154 ter, par. 2/3/4, of Legislative Decree no. 58 of February 24, 1998, and subsequent amendments. In accordance with the aforementioned paragraph 3, the condensed interim financial statements are presented in consolidated form.

The changes during the period under review in the international financial reporting standards (IFRS) and related interpretations (IFRIC) applicable to this interim report are as follows:
- IFRS 9 “Financial instruments”;
- IFRS 15 “Revenue from contracts with customers” including related amendments and clarifications;
- IFRIC 22 "Foreign currency transactions and advance consideration";
- Amendments to IAS 40 "Transfers of investment property";
- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions";
- Annual improvements cycle to the IFRS 2014-2016;
- Amendments to IFRS 4 "Applying IFRS 9 financial instruments with IFRS 4 insurance contracts".

Specifically, following the entry into force of IFRS 9, the Group has implemented the following accounting decisions:

1. equity investments previously classified as available-for-sale are classified at fair value through other comprehensive income (FVOCI);
2. equity investments previously classified as held for trading are classified at fair value through profit or loss (FVTPL);
3. investment funds are classified at FVTPL;
4. bonds that present the characteristics required by the standard are normally measured at amortized cost; otherwise, they are classified at FVTPL.

During the first half of 2018, the consolidation scope changed as a result of the acquisition by Italmobiliare S.p.A., through the NewCo Caffè Borbone S.p.A., of L’Aromatika S.r.l., and the acquisition by Sirap-Gema S.p.A. of the companies Vitembal Tarascon S.a.s., Vitembal G.m.b.H., Kama Europe Ltd. and Reynolds Food Packaging Spain S.L.U.

Overview

Although the expansionary phase in the international economic cycle peaked at the end of 2017, the current growth rate and forward-looking indicators for the second half of the year are at levels above the long-term trend. Compared with last year, the expansion reflects a lower degree of synchronization among the various countries. For the fifth year running, the performance of the advanced economies as a whole is stronger than that of the emerging economies. In general, the inflation rate is gradually rising, driven by the reduction in the output gap, and thus greater use of production factors, and by the rise in oil prices. Monetary policies are undergoing normalization, with higher rates and a budget downsizing from the assets acquired in connection with the extraordinary measures taken after the credit crunch (Fed), or are about to end the extraordinary phase (ECB). In this context, with higher expected levels of inflation and bond yields, the stock markets have begun reducing valuation multiples, counterbalanced by a growth rate in earnings and revenues at record highs. The global share index at the end of the period was virtually unchanged. The “physiological” increase in volatility stemming from the cyclical characteristics of the economy and the markets is fueled by the impact of the political risk and by the uncertainty arising from government decisions: the triggering of the trade war, the tensions inside the Eurozone over management of immigration and economic policy, the impasse over Brexit.

In this economic scenario, the Italmobiliare Group closed the first half of 2018 with a profit of 23.9 million euro and a profit attributable to owners of the parent of 22.3 million euro, compared respectively with a profit of 2.5 million euro and a profit attributable to owners of the parent of 2.5 million euro in the first half of 2017.

Breakdown of consolidated profit by segment

(in millions of euro)	June 2018	% of total	June 2017	% of total
Industrial and services for industry segment	6.3	26.4	(0.9)	(38.7)
Financial and Private equity segment	24.3	n.s.	11.0	n.s.
Other activities	0.5	2.1	(0.3)	(11.3)
Inter-segment eliminations	(7.2)	(30.1)	(7.3)	n.s.
Profit for the period	**23.9**	**100.0**	**2.5**	**100.0**

The other main results relating to continuing operations for the six months ended June 30, 2018, were as follows:

- **Revenue and income:** 216.7 million euro compared with 201.8 million euro for the first half of 2017 (+7.3%);
- **Gross operating profit**: 19.0 million euro compared with 18.7 million euro for the first half of 2017 (+1.6%);
- **Operating profit**: 14.0 million euro compared with 8.8 million euro for the first half of 2017 (+58.5%);
- **Profit relating to continuing operations**: 23.9 million euro compared with 2.5 million euro for the first half of 2017 (improvement >100%);
- At June 30, 2018, **total equity** stood at 1,360.8 million euro compared with 1,373.7 million euro at December 31, 2017;
- The **net financial position** at June 30, 2018 reflected cash of 232.7 million euro, down from 494.8 million euro at the end of 2017;
- As a result of the changes in equity and the net financial position, the **gearing** ratio (net financial position/equity) decreased from 36.02% at the end of 2017 to 17.10% at June 30, 2018.

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, and the Italgen Group, active in production and distribution of electric power from renewable sources. In May, Caffè Borbone S.p.A., the company that controls L' Aromatika S.r.l., a company active in coffee pods and capsules, entered the Industrial and services for industry segment. Caffè Borbone S.p.A. is included in the Italmobiliare Group consolidated income statement for the months of May and June. 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 valued with the equity method. Further details are provided in the specific sections on each group. The 2017 half-year comparatives include the BravoSolution group, which was sold at the end of 2017. The segment reported overall revenue of 177.1 million euro, an increase of 15.1 million euro (162.0 million euro in the first half of 2017), gross operating profit of 16.6 million euro, up by 4.3 million euro compared to the first half of 2017, operating profit of 11.9 million euro, up by 9.2 million euro on the first half of 2017 and a profit for the period of 6.3 million euro (compared to a loss of 0.9 million euro in the first half of the previous year);
- the **Financial and private equity segment**, consisting of the parent Italmobiliare and Clessidra SGR (2017 also included Franco Tosi S.r.l., which merged into Italmobiliare in 2018), recognized revenue and income amounting to 45.6 million euro, substantially in line with 46.6 million euro in the first half of 2017. Gross operating profit was 9.5 million euro, a sharp decrease from the first half of 2017 (14.5 million euro). Operating profit was 9.2 million euro, significantly down on the first half of 2017 (14.2 million euro) and the segment reported a profit for the period of 24.3 million euro, well up on the first half of 2017 (11.0 million euro).
- the **Other activities** segment is 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 and its results are therefore not normally material. In the first half of 2018 the segment reported revenue of 3.1 million euro, from 1.7 million euro in the first half of 2017, a gross operating profit of 0.4 million euro (a loss of 0.4 million euro in the first half of 2017), an operating profit of 0.3 million euro (a loss of 0.5 million euro in the first half of 2017) and a profit for the period of 0.5 million euro (a loss of 0.3 million euro in the year-earlier period).

Italmobiliare S.p.A. **Net Asset Value** (NAV) at June 30, 2018, excluding treasury shares, was 1,429.3 million euro (1,545.2 million euro at December 31, 2017) on capitalization of 881.3 million euro, reflecting a discount of 38.3%. It comprised the following activities:

(in millions of euro)	**June 30, 2018**	**% of total**	**December 31, 2017**	**% of total**
Listed equity investments [1]	439.1	*30.7%*	544.4	*35.2%*
Portfolio Companies [2]	392.8	*27.5%*	239.7	*15.5%*
Other equity investments	55.7	*3.9%*	58.9	*3.8%*
Private equity funds	124.8	*8.7%*	95.1	*6.2%*
Properties and related assets	51.2	*3.6%*	57.7	*3.7%*
Financial assets, trading, cash and cash equivalents	365.7	*25.6%*	549.3	*35.5%*
Total Net Asset Value	**1,429.3**	***100.0%***	**1,545.2**	***100.0%***

Compared with December 31, 2017, the decrease in NAV arose largely from:

- a reduction in the fair value of the main listed equity investments HeidelbergCement AG and Mediobanca S.p.A. (-105.3 million euro);
- the acquisition of 60% of L'Aromatika S.r.l. through the NewCo Caffè Borbone S.p.A. (+143.2 million euro);
- an increase in the value of the private equity funds (+29.7 million euro);
- a reduction in financial assets, trading and cash and cash equivalents (-184.0 million euro).

At June 30, 2018, NAV per Italmobiliare S.p.A. ordinary share, excluding treasury shares, was 34.1 euro.

NAV was calculated considering:

- the market price at June 30, 2018 of investments in listed companies;
- the value of non-listed companies, where determinable, 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 financial reporting standards, if available, otherwise with local accounting principles;
- the market value of real estate assets;
- the deferred tax effect.

[1] The category "Listed equity investments" comprises the main equity investments in listed companies (HeidelbergCement AG and Mediobanca S.p.A.).
[2] The category "Portfolio Companies" includes the equity investments in Italgen S.p.A., Caffè Borbone S.p.A. (since May 2018), Sirap-Gema S.p.A., Clessidra SGR S.p.A. and Tecnica Group S.p.A.

Key consolidated figures for the first half to June 30, 2018

(in millions of euro)		H1 2018	H1 2017	% change
Revenue and income		**216.7**	**201.8**	**7.3**
Gross operating profit		**19.0**	**18.7**	**1.6**
% of revenue		*8.8*	*9.3*	
Amortization and depreciation		(8.3)	(9.9)	16.2
Measurement gains on non-current assets		3.3	0.0	n.s.
Operating profit		**14.0**	**8.8**	**58.5**
% of revenue		*6.5*	*4.4*	
Net finance costs		(0.8)	(5.1)	83.7
Impairment losses on financial assets		0.0	0.0	n.s.
Share of profit (loss) of equity-accounted investees		(3.0)	0.7	n.s.
Profit before tax		**10.2**	**4.4**	**n.s.**
% of revenue		*4.7*	*2.2*	
Income tax (expense)		13.8	(1.9)	n.s.
Profit relating to continuing operations		**23.9**	**2.5**	**n.s.**
Profit (loss) relating to discontinued operations net of tax effects		0.0	0.0	n.s.
Profit for the period		**23.9**	**2.5**	**n.s.**
attributable:	**Owners of the parent**	**22.3**	**2.5**	**n.s.**
	Non-controlling interests	1.6	0.0	n.s.
Capital expenditure		375.5	35.3	

n.s.: not significant

(in millions of euro)	June 30, 2018	December 31, 2017
Total equity	1,360.8	1,373.7
Equity attributable to owners of the parent	1,265.8	1,373.3
Overall net financial position	232.7	494.8
Number of employees at period end	1,835	1,417

Revenue and operating performance in the first half of 2018 for continuing operations

Contribution to consolidated revenue and income

(net of intragroup eliminations)

(in millions of euro)	H1 2018		H1 2017		Change	
Operating segment		%		%	%	%[1]
Industrial and services for industry segment	177.1	81.7	161.9	80.2	*9.4*	3.0
Financial and Private equity segment	37.9	17.5	38.8	19.2	*(2.3)*	(2.3)
Other activities	1.7	0.8	1.1	0.6	*50.4*	50.4
Total	**216.7**	**100.0**	**201.8**	**100.0**	***7.3***	**2.0**

[1] on a like-for-like basis and at constant exchange rates.

Revenue and operating performance by segment

(in millions of euro)	Revenue		Gross operating profit (loss)		Operating profit (loss)	
	H1 2018	% change vs H1 2017	H1 2018	% change vs H1 2017	H1 2018	% change vs H1 2017
Operating segment						
Industrial and services for industry segment	177.1	9.4	16.6	35.3	11.9	n.s.
Financial and Private equity segment	45.6	(2.2)	9.5	(34.8)	9.2	(35.3)
Other activities	3.1	77.5	0.4	n.s.	0.2	n.s.
Inter-segment eliminations	(9.1)	7.6	(7.5)	(1.9)	(7.3)	(2.3)
Total	**216.7**	**7.3**	**19.0**	**1.6**	**14.0**	**58.5**

n.s. not significant

The 7.3% improvement in **revenue and income** compared with the first half of 2017 reflected:

- the change in the scope of consolidation, for 7.6%,
- the exchange-rate effect for -0.3%, while
- at constant size and exchanges, revenue and income increased by 2.0%.

At constant size and exchange rates, the increase arose in the Industrial and services for industry segment and the Other activities segment; the contribution of the Financial and Private equity segment was negative.

Gross operating profit was 19.0 million euro, and was substantially unchanged from the first half of 2017 (18.7 million euro). Specifically, the improvement in gross operating profit in the Industrial and services for industry segment and the Other activities segment counterbalanced the negative trend in the Financial and Private equity segment.

After amortization and depreciation of 8.3 million euro, down from the first half of 2017, and measurement gains of 3.3 million euro on non-current assets (zero in the year-earlier period), the Group reported a first-half **operating profit** of 14.0 million euro, a significant improvement on the first half of 2017 (8.8 million euro).

Finance costs and other items

Net finance costs were down 4.3 million euro, from 5.1 million euro in the first half of 2017 to 0.8 million euro in the first half of 2018, largely thanks to exchange-rate differences (+3.9 million euro).

The caption does not include finance income and costs in 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.

The **share of profit or loss of equity-accounted investees** reflected a loss of 3.0 million euro (profit of 0.7 million euro in the first half of 2017), largely as a result of the Tecnica Group's loss for the period.

Profit for the period

The above results generated a **profit before tax** of 10.2 million euro in the first half of the year (profit of 4.4 million euro in the first half of 2017).

After positive income tax of 13.8 million euro thanks to the activation of tax benefits on prior-year tax losses and on deductible temporary differences (expense of 1.9 million euro in the first half of 2017), the **profit for the first half relating to continuing operations** was 23.9 million euro (profit of 2.5 million euro in the first half of 2017).

Overall, the Group reported a **profit** for the first half of 2018 of 23.9 million euro (a profit of 2.5 million euro in the first half of 2017), of which 22.3 million euro attributable to owners of the parent (2.5 million euro in the year-earlier period) and 1.6 million euro attributable to non-controlling interests (zero in the first half of 2017).

Total comprehensive income

In the first half of 2018, continuing operations had total comprehensive expense of 102.7 million euro (income of 25.4 million euro in the first half of 2017) arising essentially as follows:

- fair value change of -103.2 million euro on financial assets measured at FVOCI
- a positive change of 1.3 million euro in the income tax posting;
- translation losses of 0.6 million euro.

Total comprehensive income in the first half of 2018 reflected expense of 78.7 million euro (expense of 80.5 million euro attributable to owners of the parent and income of 1.8 million euro attributable to non-controlling interests). This compared with total comprehensive income of 27.9 million euro in the first half of 2017 (28.2 million euro attributable to owners of the parent and expense of 0.3 million euro attributable to non-controlling interests).

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

Condensed statement of financial position

(in millions of euro)	June 30, 2018	December 31, 2017
Property, plant and equipment + investment property	157.2	139.9
Intangible assets	297.7	15.4
Other non-current assets	758.8	839.9
Non-current assets	**1,213.7**	**995.2**
Current assets	**593.3**	**681.6**
Discontinued operations	6.0	5.6
Total assets	**1,813.0**	**1,682.4**
Equity attributable to owners of the parent	1,265.8	1,373.3
Non-controlling interests	95.0	0.4
Total equity	**1,360.8**	**1,373.7**
Non-current liabilities	216.9	152.6
Current liabilities	235.1	156.1
Total liabilities	**452.0**	**308.7**
Total equity and liabilities	**1,813.0**	**1,682.4**

Equity

Total equity at June 30, 2018 was 1,360.8 million euro, a reduction of 12.9 million euro from December 31, 2017. Equity attributable to owners of the parent decreased by 107.5 million euro, while equity attributable to non-controlling interests rose by 94.6 million euro. The overall change arose largely from:

- the profit for the period of 23.9 million euro;
- the changes in the scope of consolidation (+88.9 million euro);
- the change in the fair value reserve on equity investments measured at FVOCI (-102.0 million euro net of the related tax effect);
- the distribution of dividends (-23.1 million euro).

At June 30, 2018, Italmobiliare S.p.A. share capital stood at 100,166,937 euro, represented by 47,633,800 ordinary shares.

At June 30, 2018, Italmobiliare S.p.A. held 5,685,870 treasury shares representing 11.94% of the share capital.

Net financial position

At June 30, 2018, the net financial position reflected cash of 232.7 million euro, a decrease of 53.0% from the position at December 31, 2017 (494.8 million euro).

Breakdown of the net financial position

(in millions of euro)	June 30, 2018	December 31, 2017
Current financial assets	410.4	549.2
Current financial liabilities	(114.6)	(66.6)
Non-current financial assets	56.3	58.8
Non-current financial liabilities	(119.8)	(46.6)
Debt relating to assets held for sale	0.4	0.0
Overall net financial position	**232.7**	**494.8**

Financial ratios

(in absolute amounts and millions of euro)		June 30, 2018	December 31, 2017
Overall net financial position		232.7	494.8
Consolidated equity		1,360.8	1,373.7
	Gearing	**17.10%**	**36.02%**
Overall net financial position		232.7	494.8
Gross operating profit[1]		146.9	146.6
	Leverage	**1.58**	**3.38**

[1] 12 months rolling

Condensed statement of cash flows

(in millions of euro)	H1 2018		H1 2017	
Overall net financial position at beginning of period		**494.8**		**493.5**
Cash flow from operating activities		(12.4)		0.4
Capital expenditure:				
PPE, investment property and intangible assets	*(5.3)*		*(11.7)*	
Non-current financial assets	*(370.2)*		*(23.6)*	
Capital expenditure		**(375.5)**		**(35.3)**
Proceeds from sale of non-current assets		12.9		47.9
Dividends paid		(23.1)		(24.1)
Change in shareholdings in subsidiaries		94.6		-
Change in treasury shares		-		(100.1)
Structure and translation differences		47.3		0.2
Other changes		(6.1)		(4.6)
Net cash flows for the period		**(262.3)**		**(115.6)**
Cash flows relating to discontinued operations		-		-
Overall net financial position at end of period		**232.7**		**377.8**

Capital expenditure and divestments

(in millions of euro)	Non-current financial assets		PPE and investment property		Intangible assets	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Operating segment						
Industrial and services for industry segment	-	-	4.9	7.1	0.7	4.2
Financial and Private equity segment	370.2	23.6	-	0.3	-	-
Other activities	-	-	-	-	-	-
Inter-segment eliminations	-	-	-	-	-	-
Total	**370.2**	**23.6**	**4.9**	**7.4**	**0.7**	**4.2**
Change in payables	-	-	(0.3)	-	-	-
Total capital expenditure	**370.2**	**23.6**	**4.6**	**7.4**	**0.7**	**4.2**

Group capital expenditure in the first half of 2018 amounted to 375.5 million euro, up by 340.2 million euro from the first half of 2017 (35.3 million euro).

Investments in non-current financial assets amounted to 370.2 million euro (23.6 million euro in the first half of 2017) and related mainly to the investments made by the Financial and Private equity segment in Caffé Borbone S.p.A.

Investments in property, plant and equipment and investment property totaled 4.6 million euro and related mainly to the Group's Industrial and services for industry segment: specifically, the production facilities of the Sirap Group and the industrial investments of the Italgen Group.

Divestments by the Group in the first half of 2018 totaled 12.9 million euro, and referred largely to sales of non-current financial assets by Italmobiliare S.p.A. (sale of Mediobanca and Banca Leonardo shares).

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 products through subsidiaries in Italy and abroad, and the Italgen group, which produces and distributes electric energy from renewable sources. In 2018, these operations were joined by the Tecnica Group (valued with the equity method), active in outdoor footwear and ski equipment, and the Caffè Borbone Group, a coffee producer and distributor. The 2017 comparative figures include the BravoSolution Group, a supply management solutions provider, which was sold at the end of 2017.

(in millions of euro)	H1 2018	H1 2017	% change
Revenue and income	**177.1**	**162.0**	**9.4**
Gross operating profit	**16.6**	**12.3**	**35.3**
% of revenue	*9.4*	*7.6*	
Amortization and depreciation	(8.0)	(9.6)	16.8
Measurement gains on non-current assets	3.3	-	n.s.
Operating profit	**11.9**	**2.7**	**n.s.**
% of revenue	*6.7*	*1.7*	
Net finance costs	(1.9)	(2.6)	27.3
Impairment losses on financial assets	-	-	n.s.
Share of profit (loss) of equity-accounted investees	(3.0)	0.6	n.s.
Profit before tax	**7.0**	**0.7**	**n.s.**
% of revenue	*4.0*	*0.5*	
Income tax expense	(0.8)	(1.6)	53.4
Profit (loss) for the period	**6.3**	**(0.9)**	**n.s.**
Capital expenditure	5.6	11.6	

n.s. not significant

(in millions of euro)	June 30, 2018	December 31, 2017
Total equity	330.3	84.9
Equity attributable to owners of the parent	235.3	84.5
Net financial position	(164.2)	(85.1)
Number of employees at period end	1,736	1,317

Capital expenditure consists only of investments in non-current property, plant and equipment, investment property and intangible assets.

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 main change in the corporate structure at June 30, 2018 compared with June 30, 2017 is the acquisition in January 2018 of four new companies:

- Kama Europe Ltd., now Sirap UK Ltd., in the U.K.;
- Reynolds Food Packaging S.L.U., now Sirap Packaging Iberica S.L.U., in Spain;
- Vitembal Tarascon S.a.s., now Sirap Tarascon S.a.s., in France;
- Vitembal G.m.b.H., now Sirap G.m.b.H., in Germany.

The inclusion of the four new companies in the scope of consolidation means the comparison between income statement and statement of financial position data is not on a like-for-like basis.

Business and financial performance

(in millions of euro)		H1 2018	H1 2017	% change
Revenue and income		**136.1**	**101.4**	**34.2**
Gross operating profit		**7.0**	**7.0**	**(0.1)**
% of revenue		*5.1*	*6.9*	
Amortization and depreciation		(5.9)	(4.5)	(31.1)
Measurement gains on non-current assets		6.2	-	n.s.
Operating profit		**7.3**	**2.5**	**n.s.**
% of revenue		*5.4*	*2.5*	
Net finance costs		(1.9)	(1.3)	(52.2)
Profit before tax		**5.4**	**1.2**	**n.s.**
% of revenue		*4.0*	*1.2*	
Income tax (expense)		1.5	(0.4)	n.s.
Profit for the period		**6.8**	**0.8**	**n.s.**
attributable:	**Owners of the parent**	**6.9**	**0.8**	**n.s.**
	Non-controlling interests	(0.1)	n.s.	n.s.
Capital expenditure		3.5	5.5	

n.s. not significant

(in millions of euro)	June 30, 2018	December 31, 2017
Total equity	30.9	16.1
Equity attributable to owners of the parent	30.8	15.8
Net financial position	(79.8)	(67.2)
Number of employees at period end	1,516	1,222

Market demand in the first half of 2018 was difficult in the key countries; the markets addressed by the four new companies also showed signs of weakness.

Trends on the European market varied: signs of growth were seen in rigid containers segment, especially on the Polish market, where the Group has made significant investments in the last two years to take advantage of the opportunities of rising demand. In the foam tray segment, the fall in meat consumption. especially in France and Italy, continued to push down demand, putting pressure on sales prices.

The average price of polystyrene raw materials in the first half of 2018 was around 1,322 euro/Ton., in line with the first half of 2017. The average price for PET, consumption of which increased as a result of investment in the rigid segment, was 947 euro/Ton. for the recycled commodity, up 20.8% from the average in the first half of 2017 (784 euro/Ton.). The average purchase price for “virgin” PET was 1,111 euro/Ton., compared with 1,030 euro/Ton in the first half of 2017 (+7.9%).

The European Commission proceeding did not have an impact on the half-year profit, except as regards the finance costs arising from the bank guarantees given to the Commission and the re-measurement of the provision set aside at December 31, 2017, which amounted overall to approximately 0.02 million euro.

The Group reported **net revenue** of 136.1 million euro in the first half of 2018, up from 101.4 million euro in the first half of, an increase of 34.7 million euro. The overall contribution of the four new companies to the revenue increase, net of intragroup eliminations, was 31.6 million euro. The rise in revenue arose was almost entirely attributable to the “rigid” segment, which thus became more important than the historically predominant “foam” segment. The exchange-rate effect in the period had a negative impact estimated at 0.5 million euro.

The Group posted gross operating profit of 7.0 million euro, on a par with the first half of 2017, despite the increase in revenue, which, as noted, was largely due to the expansion of the scope of consolidation.

Amortization and depreciation of 5.9 million euro was up 1.4 million euro from 4.5 million euro in the first half of 2017, following the inclusion of four new group company, three of which are manufacturing companies.

The Group recognized **measurement gains on non-current assets** of 6.2 million euro, reflecting the difference between the overall fair value of the assets of the companies acquired (in France, Spain, Germany and the United Kingdom), in compliance with IFRS 3, and their purchase price.

The Group posted an **operating profit** of 7.3 million euro in the first half of 2018, an increase of 4.8 million euro from 2.5 million euro in the first half of 2017.

Net finance costs totaled 1.9 million euro, against 1.3 million euro in the first half of 2017: the increase of 0.6 million euro was largely due to the higher debt acquired to finance the acquisitions described earlier.

The positive **income tax** posting of 1.5 million euro reflected current income tax expense of 0.4 million euro and deferred tax assets of 1.9 million euro.

The Group posted a consolidated **profit** of 6.9 million euro for the six months ended June 30, 2018, against a profit of 0.8 million euro for the first half of 2017.

Consolidated **net financial debt** at June 30, 2018 was 79.8 million euro, a recovery from 82.0 million euro at March 31, 2018, which already included the financial effects of the acquisitions. The difference compared with December 31, 2017 (67.2 million euro) was 12.6 million euro.

The net financial position includes, among assets, 15 million euro deposited as partial coverage of the fine imposed by the European Commission; this payment also helps contain the finance costs relating to the bank guarantee and to the deferred contingent liability due to the Commission.

Consolidated **equity** at June 30, 2018, was 30.9 million euro, up by 14.8 million euro from December 31, 2017 (16.1 million euro). The increase arose from the 10.0 million euro share capital increase by the sole shareholder Italmobiliare S.p.A., the profit for the period of 6.2 million euro, the dividend of 1.0 million euro approved by the shareholders for the parent on March 30, 2018, and a decrease in the translation and consolidation reserves (-1.1 million euro).

Performance by geographical area

(in millions of euro)	Revenue and income		Gross operating profit (loss)		Operating profit (loss)	
	H1 2018	% change vs H1 2017	H1 2018	% change vs H1 2017	H1 2018	% change vs H1 2017
Food packaging						
- Italy	48.4	2.5	1.8	(35.2)	(0.8)	n.s.
- France	26.3	14.8	0.9	(49.9)	2.6	n.s.
- Other EU countries	68.2	98.8	4.0	83.9	5.2	n.s.
- Other non-EU countries	6.1	12.3	0.3	43.0	0.3	48.4
Eliminations	(12.9)	51.9	(0.1)	n.s.	-	n.s.
Total	**136.1**	**34.2**	**6.9**	**(0.1)**	**7.3**	**n.s.**

n.s. not significant

Operating performance

On the Group's historic markets in Italy and France, in the first half of 2018, demand for the products of the food packaging segment weakened significantly, 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 like 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 48.4 million euro, up slightly (1.2 million euro or +2.5%) from 47.3 million euro in 2017. Specifically, sales of foam containers (XPS) produced in-house (24.3 million euro) saw a recovery of 1.8% following a 4.7% increase in volumes and a 2.8% fall in the average price. Turnover for rigid containers of 17.0 million euro showed a similar trend, rising 8.8% on the first half of 2017 (15.7 million euro) thanks to a 12.2% increase in volumes and a 3.1% fall in the average price. The parent Sirap-Gema S.p.A. closed the period with overall revenue of 44.5 million euro, a slight increase (+2.2 million euro) on 42.3 million euro in the first half of 2017. Overall gross operating profit was 2.4 million euro, in line with the first half of 2017; the lower percentage margin on revenue arose mainly from the trend in raw material costs and in sales prices, as described above.

  The subsidiary Rosa Plast Due S.r.l., acquired in 2016, reported turnover of 4.4 million euro in the first half of 2018, a decrease on 5.1 million euro in the first half of 2017. The company was also affected by a squeeze on margins due to higher raw materials prices, and so reported a gross operating loss of 0.2 million euro, from a profit of 0.3 million euro in the first half of 2017. The trend was also related to the re-organization of all operations in the “Rigid” segment after the acquisitions of January 2018.

- On the French market, Sirap reported a revenue increase of 14.8% in the first half of 2018 (from 22.9 million euro to 26.3 million euro), largely due to the contribution of the new company Sirap Tarascon S.a.s. (+3.1 million euro net of eliminations). Gross operating profit, however, fell from 1.9 million euro at June 30, 2017 to 0.9 million euro at June 30, 2018. Operating profit was 2.6 million euro compared with 0.9 million euro in the first half of 2017 (+1.7 million euro), due to the measurement gains on the newly purchased assets described above (3.1 million euro).
- In Poland, thanks to its strong positioning on the local market, Inline Poland reported overall turnover of 21.9 million euro, compared with 16.2 million euro in 2017 (+35.2%); the 2018 figure reflects a favorable exchange-rate effect estimated at 0.2 million euro, but was primarily the result of the company’s strong position on a growing market and the increased production capacity arising from the investments of the last three years. Gross operating profit and operating profit were 2.4 and 1.6 million euro respectively, up from the 2017 results (1.4 and 0.8 million euro respectively).
- The Petruzalek Group recognized turnover of 26.9 million euro in the first half of 2018, compared with 24.2 million euro in the first half of 2017, an increase of 2.7 million euro despite an unfavorable exchange-rate effect estimated at 0.5 million euro and relating largely to Ukraine and Turkey. The Group, which operates mainly in Central Eastern Europe, consolidated its presence in more stable mature countries (Austria, the Czech Republic, Hungary and Slovakia), and also achieved positive results in countries with stronger political tensions such as Turkey and Ukraine. Gross operating profit and operating profit for the period, at 1.3 million euro and 1.0 million euro respectively, were slightly up on the results for the first half of 2017 (0.9 and 0.7 million euro).

On the markets covered by the new companies, results in the U.K. in the first half of the year were affected by a difficult general market situation, which had a significant impact on sales volumes and the costs of factors of production with respect to budget projections.

The results of the companies active in Germany and Spain were also affected by the rise in the cost of raw materials, which led to a reduction in margins.

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.

Action is underway to extend the Group standards to the newly acquired companies.

Safety initiatives

In its factories, the Sirap Group adopts the necessary measures to ensure maximum safety for its workers and property. Development of the group safety culture project introduced in 2009 continued, 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.

Action is underway to extend the Group standards to the newly acquired companies.

Research and development

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

Significant events in the period

On January 8, 2018, Sirap-Gema S.p.A. and Sirap France S.a.s. signed the contracts with the seller Vitembal Holding for the purchase of, respectively, the German company Vitembal G.m.b.H., now Sirap G.m.b.H., and the French company Vitembal Tarascon S.a.s., now Sirap Tarascon S.a.s.

On January 15, 2018, Sirap-Gema S.p.A. signed the contracts with the seller Reynolds Group for the purchase of the British company Kama Europe Ltd., now Sirap UK Ltd., and the Spanish company Reynolds Food Packaging S.L.U., now Sirap Packaging Iberica S.L.U.

The companies have been acquired to improve commercial effectiveness in key European countries, enhance the “Rigid” sector and optimize production and commercial strategies.

On May 30, 2018 at an extraordinary meeting, the shareholders of Universal Imballaggi S.r.l. approved the winding up and voluntary liquidation of the company. The liquidation came into effect on June 12, 2018, the date on which it was registered by the Palermo Chamber of Commerce (C.C.I.A.A.). The decision was taken in view of a structural reduction in turnover, which meant the presence of a permanent organization was no longer profitable.

Disputes and pending proceedings

With regard to the proceeding underway with the European Commission (which began in 2008, for breaches of community competition laws on the plastic food packaging market), reference should be made to the extensive information provided in previous reports, since no developments took place in the period under review.

Significant events after the reporting period

There were no significant events after the reporting period.

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. The acquisitions made in January 2018 are part of the Group’s geographical expansion and growth, particularly in the “Rigid” segment. In this context, trends in raw materials had a significant impact on Group profitability in the first half of the year. A partial recovery in profit margins is expected in the second half, mainly thanks to specific measures for sales prices.

Italgen group

(in millions of euro)	H1 2018	H1 2017	% change
Revenue and income	**17.7**	**18.6**	**(4.8)**
Gross operating profit	**3.1**	**3.9**	**(18.5)**
% of revenue	*17.8*	*20.8*	
Amortization and depreciation	(1.8)	(1.7)	(6.5)
Impairment losses on non-current assets	(2.9)	-	n.s.
Operating profit (loss)	**(1.6)**	**2.1**	**n.s.**
% of revenue	*(9.1)*	*11.5*	
Net finance income (costs)	0.4	(0.4)	n.s.
Share of profit (loss) of equity-accounted investees	-	0.7	n.s.
Profit (loss) before tax	**(1.2)**	**2.4**	**n.s.**
% of revenue	*(7.0)*	*12.7*	
Income tax expense	(0.5)	(0.6)	24.5
Profit (loss) for the period	**(1.7)**	**1.7**	**n.s.**
Capital expenditure	1.1	1.3	

n.s. not significant

(in millions of euro)	June 30, 2018	December 31, 2017
Total equity	17.8	25.4
Net financial position	(27.5)	(17.9)
Number of employees at period end	91	95

Hydroelectric production in the first half of 2018 was 148.4 GWh, up 13.1% on the first half of 2017 (131.2 GWh).

Revenue was 17.7 million euro, a decrease of 0.9 million euro (-4.8%) on the first hal of 2017 (18.6 million euro) as a result of the contraction in vectoring service charges to end users (down 1.2 million euro in the period) and in revenue from energy vectoring on the Group's power lines (down 0.7 million euro); these effects were offset in part by an increase of 1 million euro in revenue from electricity sales due to a positive price effect (unit revenue 49 euro/MWh compared with 44.5 euro/MWh, up 10.1%). Incentives for Green Certificates and All-inclusive Tariffs were unchanged, at 3.6 million euro, thanks to the substantial offset between a positive volume effect (+0.2 million euro) and a negative price effect (-0.2 million euro).

Gross operating profit in the first half of 2018 was 3.1 million euro, down 0.8 million euro (-18.5%) from the year-earlier period (3.9 million euro), in part as a result of higher operating expense incurred by the subsidiaries.

The assets of Italgen Maroc ENER were written down by 2.9 million euro.

After amortization and depreciation of 1.8 million euro, an increase of 6.5% from the year-earlier period (1.7 million euro), the Group posted an operating loss of 1.6 million euro (operating profit of 2.1 million euro in the first half of 2017).

The Group posted a loss of 1.7 million euro for the six months ended June 30, 2018.

Group net financial debt was 27.5 million euro, an increase of 9.6 million euro compared with the end of 2017 (17.9 million euro), due to the payment to Italcementi of the Energivori Decree Credit Note (5.0 million euro) and the dividend paid to the parent (6.0 million euro).

Significant events after the reporting period

There were no significant events after the reporting period.

Outlook

The company expects the second half of 2018 to be in line with the ten-year average with regard to rainfall, considering all the plants in operation during the year and attainment of the Green Certificates that are due. It projects a positive price effect to be reflected on the income statement compared with 2017; this will be counterbalanced by expense for the re-organization and rationalization of operations outside Italy.

Caffè Borbone Group

On May 3, 2018, the Italmobiliare Group finalized the acquisition of L'Aromatika S.r.l. through a NewCo (Caffè Borbone S.p.A.) of which Italmobiliare S.p.A. holds 60%. Consequently, on that date, L'Aromatika S.r.l. was included in the Group consolidation scope. The financial results set out below refer to the sub-consolidation of L'Aromatika S.r.l. and Caffè Borbone S.p.A. for the period May 3, 2018, to June 30, 2018.

(in millions of euro)	H1 2018	H1 2017	% change
Revenue and income	**23.3**	**-**	**n.s.**
Gross operating profit	**6.5**	**-**	**n.s.**
% of revenue	*28.0*	*n.s.*	
Amortization and depreciation	(0.3)	-	n.s.
Operating profit	**6.2**	**-**	**n.s.**
% of revenue	*26.7*	*n.s.*	
Net finance costs	(0.4)	-	n.s.
Profit before tax	**5.8**	**-**	**n.s.**
% of revenue	*25.2*	*n.s.*	
Income tax expense	(1.7)	-	n.s.
Profit for the period	**4.1**	**0.0**	**n.s.**
Capital expenditure	-	-	n.s.

n.s. not significant

(in millions of euro)	June 30, 2018	December 31, 2017
Total equity	237.1	-
Net financial position	(56.9)	-
Number of employees at period end	129	-

L'Aromatika S.r.l. produces and distributes coffee with the Caffè Borbone brand and is the third-largest player in Italy after Lavazza and Nespresso for monodose coffee capsules and pods.

In the first six months of 2018, monodose coffee sales in Italy in the mass merchandising channel rose by 15% in terms of value and by 22% in terms of unit volumes compared with the first half of 2017 (Nielsen data), and the monodose coffee market is believed to have shown similar growth rates in the other sales channels too.

In this context, the Caffè Borbone Group reported revenue growth of approximately 45% in the first six months of 2018 from the first half of 2017, benefiting in particular from significant growth in market share in the mass merchandising channel, from the rise in online sales and from penetration in northern Italy.

Revenue in the two months under review amounted to 23.3 million euro and gross operating profit was 6.5 million euro (28.0% return on revenue).

In the first half of 2018 gross operating profit at L'Aromatika S.r.l. was up on 2017 due to the reduction in the market price for raw coffee beans and a lower proportion of overheads.

After amortization and depreciation totaling 0.3 million euro, operating profit for the two months was 6.2 million euro (26.7% return on revenue).

Profit for the period, after income tax expense of 1.7 million euro and finance costs of 0.4 million euro, was 4.1 million euro.

At June 30, 2018, net financial debt amounted to 56.9 million euro, including the loan arranged by Caffè Borbone S.p.A. for the purchase of L'Aromatika S.r.l.

At June 30, 2018, the Caffè Borbone Group had 129 employees.

Significant events after the reporting period

There were no significant events after the reporting period.

Outlook

The company expects to maintain revenue growth in the second half of 2018, in line with performance in the first half, driven by the positive trend in monodose coffee consumption in Italy and the development of the mass merchandising channel.

Tecnica Group

The Tecnica Group, in which Italmobiliare S.p.A. holds a significant 40% equity investment, is a leading player in outdoor footwear and ski equipment, with well-known brands as Tecnica, Blizzard, Lowa, Moon Boot, Rollerblade and Nordica. The company is valued with the equity method.

The financial figures set out here refer to the first quarter of 2018, and are the most recent available figures.

Group operations are subject to significant seasonality (revenue is generated largely between August and December), and the results of the first quarter are therefore not indicative of a full-year trend.

(in millions of euro)	**March 31, 2018**
Revenue and income	**81.1**
Industrial gross margin	**27.0**
% of revenue	*33.3*
Operating loss	**(2.2)**
% of revenue	*(2.7)*
Loss for the period	**(8.9)**

n.s. not significant

(in millions of euro)	**March 31, 2018**
Total equity	46.9
Net financial position	(105.5)

In the first quarter of 2018, revenue was 81.1 million euro, down 4.4% on the first half on 2017, largely as the result of a timing effect relating to customer invoices. In terms of brands, revenue decreased for Rollerblade (-3.5 million euro) and Lowa (-1.5 million euro), counterbalanced in part by a revenue increase for Tecnica Outdoor (+1.0 million euro), Tecnica Ski Boot (+0.8 million euro) and Nordica Ski Boots (+0.4 million euro).

Attention is drawn to the strong growth in the order book of 14% (+24.8 million euro) compared with the first quarter of 2017.

The industrial gross margin reflected a percentage increase to 33.3% (+1% on March 2017), in line with the margin growth projection in the 2018 budget.

The Group posted a loss of 8.9 million euro for the first quarter of 2018. This indicator is not of great significance, given strong seasonality and Ebitda generation in the second half of the year.

At March 31, 2018, total equity was 46.9 million euro (54.9 million euro at December 31, 2017), while net financial debt was 105.5 million euro.

Outlook

The Group should achieve full-year revenue growth of about 5% in line with its budget targets, and improve profit margins compared with 2017.

Financial and Private equity segment

The Financial and Private equity segment comprises the parent Italmobiliare S.p.A. and Clessidra SGR S.p.A., the main private equity fund manager exclusively dedicated to the Italian market. The 2017 comparative figures also include the Franco Tosi S.r.l. company, which was merged into Italmobiliare S.p.A. on January 1, 2018.

Business and financial performance

(in millions of euro)	H1 2018	H1 2017	% change
Revenue	**45.6**	**46.6**	**(2.2)**
Gross operating profit	**9.5**	**14.5**	**(34.8)**
Amortization and depreciation	(0.3)	(0.3)	15.4
Operating profit	**9.2**	**14.2**	**(35.3)**
Net finance income (costs)	0.8	(2.7)	n.s.
Impairment losses on financial assets	-	-	n.s.
Share of profit (loss) of equity-accounted investees	-	-	n.s.
Profit before tax	**10.0**	**11.5**	**(13.3)**
Income tax (expense)	14.3	(0.5)	n.s.
Profit for the period	**24.3**	**11.0**	**n.s.**

n.s. not significant

(in millions of euro)	June 30, 2018	December 31, 2017
Equity	1,312.5	1,414.5
Net financial position	388.6	572.1
Number of employees at period end	66	63

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

Results in accordance with the financial model

Given the specific nature of the Financial and Private equity segment, to permit full understanding of performance, the table below sets out the results of the segment in accordance with the financial model, which has been reviewed for the purpose of applying the new financial reporting standard IFRS 9. The corresponding amounts for 2017 have been re-stated accordingly. The model reflects:

- “Net gains (losses) on equity investments” which include, with regard to FVOCI equity investments, dividends received. The corresponding 2017 amount for FVOCI equity investments (formerly “available-for-sale”) also includes gains and losses realized on sales of equity investments and impairment losses on these financial assets which, in accordance with the new IFRS 9, are recognized directly in equity as from January 1, 2018. With regard to equity investments in subsidiaries and associates, the item includes both dividends and gains/losses realized on sales as well as any impairment losses. The amount for 2017 included measurement gains/losses for derivatives on “available-for-sale” equity investments, which, consistently with the new IFRS 9, have been reclassified under “Net gains (losses) on investments of cash and cash equivalents”;
- “Net gains (losses) on investments of cash and cash equivalents”, which includes interest income on bank coupons and deposits, impairment losses on bonds and trading equities, gains/losses realized on the sale of trading securities, income/expense on trading derivatives and "net borrowing costs”. “Net borrowing costs” consist 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 or third parties.

(in millions of euro)	H1 2018	H1 2017	% change
Net gains (losses) on equity investments	17.0	18.0	(5.6)
Net gains (losses) on investments of cash and cash equivalents	2.7	7.0	(61.4)
Total finance income/costs	**19.7**	**25.0**	**(21.2)**
Other income (expense)	(10.5)	(13.5)	22.2
Income tax (expense)	14.3	(0.5)	n.s.
Profit for the period	**23.5**	**11.0**	**n.s.**

The segment posted net gains of 17.0 million euro on equity investments, a reduction from 18.0 million euro in the first half of 2017. The decrease was largely due to the reduction in dividends at Sirap-Gema S.p.A.

Management of cash and cash equivalents and the trading portfolio generated a net gain of 2.7 million euro, down from the year-earlier period (a net gain of 7.0 million euro at June 30, 2017). The reduction of 4.3 million euro arose chiefly from the negative performance of trading equity investments, derivatives and bonds, and from the absence of a contribution from the former “available-for-sale” equity investments, offset in part by the positive performance of other investments.

Other income and expense reflected net expense of 10.5 million euro, an improvement of 3.0 million euro largely as result of the reduction in operating expense.

The income tax posting reflected a positive amount of 14.3 million euro (expense of 0.5 million euro in the first half of 2017), largely as a result of the activation of tax benefits on prior-year tax losses and on deductible temporary differences in light of projected future taxable income from the tax consolidation.

The segment posted **profit** for the period of 24.3 million euro (profit of 11.0 million euro in the first half of 2017).

At June 30, 2018, the Financial and private equity segment had equity of 1,312.5 million euro, a decrease of 102.0 million euro from December 31, 2017 (1,414.5 million euro) principally as a result of:

- the profit for the period of 24.3 million euro;
- the decrease of 100.5 million euro in the OCI reserve, net of the related tax effect;
- dividends of 23.1 million euro distributed by Italmobiliare S.p.A.

The companies in the Financial and Private equity segment hold substantial equity investments, the majority classified as FVOCI. The fair value changes in these equity investments, and the gains/losses realized when they are sold, are recognized in equity under the “OCI reserve”, in accordance with the accounting policies adopted by the Italmobiliare Group. At June 30, 2018, this consolidated reserve reflected a balance of -100.5 million euro.

Information on the companies in the segment

Italmobiliare S.p.A.

The interim financial statements as at and for the six months ended June 30, 2018, drawn up in accordance with the IAS/IFRS for the purposes of the Group consolidated financial statements, reflect the following key data:

(in millions of euro)	H1 2018	H1 2017	% change
Net gains (losses) on equity investments	18.7	17.7	5.6
Net gains (losses) on investments of cash and cash equivalents	3.5	12.1	(70.8)
Total finance income/costs	**22.2**	**29.8**	**(25.4)**
Other income (expense)	(11.5)	(14.7)	21.6
Income tax (expense)	14.4	0.4	n.s.
Profit for the period	**25.1**	**15.5**	**62.3**

n.s. not significant

	June 30, 2018	December 31, 2017
Equity	1,308.2	1,252.1
Net financial position	365.6	307.9

Gains and losses on equity investments totaled 18.7 million euro, an increase from 17.7 million euro in the first half of 2017, largely as a result of the dividend received from Clessidra SGR S.p.A. (1.7 million euro).

Gains and losses on investments of cash and cash equivalents amount to 3.5 million euro (12.1 million euro in the first half of 2017). The 8.6 million euro decrease was mainly due to the negative performance of trading equity investments, derivatives and bonds, and from the absence of a contribution from the former “available-for-sale” equity investments, offset in part by the positive performance of other investments.

Other income and expense reflected net expense of 11.5 million euro, down by 3.2 million euro from the first half of 2017, largely as a result of the reduction in personnel expense (-5.1 million euro).

After a positive income tax posting of 14.4 million euro (+0.4 million euro at June 30, 2017), an increase arising as a result of the activation of tax benefits on prior-year tax losses and on deductible temporary differences, Italmobiliare S.p.A. posted a profit for the period of 25.1 million euro (a profit of 15.5 million euro for the first half of 2017).

Equity at June 30, 2018, was 1,308.2 million euro, up by 56.1 million euro from December 31, 2017 (1,252.1 million euro) largely due to the merger of Franco Tosi S.r.l. (+154.3 million euro) and the profit for the period (+25.1 million euro), net of the distribution of a dividend of 23.1 million euro and the decrease of 100.5 million euro in the OCI reserve (including the related tax effect).

The net financial position of Italmobiliare S.p.A. reflected cash of 365.6 million euro, an increase of 57.7 million euro from December 31, 2017 (cash of 307.9 million euro), essentially as a result of the following events: the upstream merger of Franco Tosi S.r.l. (+241.3 million euro), the share capital increase at Sirap-Gema S.p.A. (-10.0 million euro) and the investment in Caffè Borbone S.p.A. (-143.2 million euro).

Main investments in listed companies

HeidelbergCement

Against a background of falling stock prices among construction companies in the first half of 2018, the HeidelbergCement share price lost 18.3%.

The downturn was the result of a combination of factors: the rise in energy prices, macro instability in some emerging areas, the slowdown in growth in Europe during the first six months and the effect of geopolitical risk on investor expectations (from the trade war to the difficulties of the Brexit transition).

Relative and absolute valuations of the share price reflect a significant discount against projected 5% annual average earnings growth (2018-2020) and a focus on cash generation and reduction of leverage, which point to a further increase in dividends.

Mediobanca

The share price at the end of the first half of 2018 was down 15.5%, in line with the Italian banking sector which was affected by the increased country risk (a larger spread between Italian and German treasury bonds) and lower expectations over the cost of funding and profitability.

The higher country risk should however have a limited impact on the Group compared with the sector average, given its limited exposure to Italian treasury bonds and low debt stock coming up to maturity. The group also displayed high asset solidity and quality (NPE at 4.8% compared with a sector average of 11.8%).

At the half-year closing prices, valuations were aligned with the domestic system average, even though profitability was significantly higher. Conversely, the multiples reflect an absolute and relative discount with respect to the main competitors in the European Union.

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.

The first half of 2018 was characterized by management of the Clessidra Capital Partners II and Clessidra Capital Partners 3 funds. A brief analysis of the funds managed by Clessidra SGR is provided below, relating to performance at March 31, 2018 (the most recent available official figures):

- Clessidra Capital Partner II (CCPII): management of the companies in portfolio continued in the first half of 2018. At March 31, 2018 the total amount called-up by the fund was 968 million euro. At the same date, it reported income of 1,576.5 million euro, with gross IRR of approximately 27.7% (net IRR 19.3%);
- Clessidra Capital Partner 3 (CCP3): in the first half of 2018, the SGR completed an important investment with the acquisition of the Scrigno Group, which produces and markets counter frames for sliding doors and windows; it also continued to select new investment opportunities and managed the two companies in portfolio, Roberto Cavalli S.p.A. and Nexi S.p.A. (formerly ICBPI S.p.A.). At March 31, 2018 the total amount called-up by the fund was 343.2 million euro. At the same date, it reported income of 239.9 million euro, with gross IRR of approximately 30.4% (net IRR 24%).

Details of the main income statement captions at Clessidra SGR S.p.A. for the first half of 2018 are set out below:

(in millions of euro)	H1 2018	H1 2017
Commission income	**6.1**	**8.0**
Total income	**5.3**	**8.3**
Administrative expense	(6.0)	(8.7)
Other operating income and expense	0.9	2.5
Operating profit	**0.2**	**2.1**
Income tax expense	(0.1)	(0.7)
Profit for the period	**0.1**	**1.4**

	June 30, 2018	December 31, 2017
Equity	20.5	22.1

Total income of 5.3 million euro arose essentially from management commissions on the Clessidra funds of 6.1 million euro and the operating loss of 0.8 million euro on management of financial assets.

Administrative expense for the period amounted to 6.0 million euro and comprised personnel expense of 3.1 million euro, and consultancy and management expense of 2.9 million euro.

After net other operating income of 0.9 million euro and income tax expense of 0.1 million euro, the period closed with a substantial break-even.

During 2018 Clessidra SGR will continue managing 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 operations.

Net financial position of Italmobiliare S.p.A. and the financial and private equity segment

(in millions of euro)	June 30, 2018		December 31, 2017	
	Italmobiliare	Financial and private equity segment	Italmobiliare	Financial and private equity segment
Current financial assets	362.8	368.5	282.8	548.1
Current financial liabilities	(9.6)	(10.0)	(11.5)	(12.6)
Current net financial position	**353.2**	**358.5**	**271.3**	**535.5**
Non-current financial assets	12.4	30.1	36.6	36.6
Non-current financial liabilities	0.0	0.0	0.0	0.0
Non-current net financial position	**12.4**	**30.1**	**36.6**	**36.6**
Net financial position	**365.6**	**388.6**	**307.9**	**572.1**

Current financial assets at June 30, 2018 amounted to 362.8 million euro and consisted largely of the investment in the Vontobel fund for 176.4 million euro. Vontobel is a "Multi Asset Defensive" open-end fund with a conservative risk profile consistent with the company's investment policies. Italmobiliare S.p.A. took ownership of the units in this fund following the upstream merger of the subsidiary Franco Tosi S.r.l.

The increase in the positive net financial position of Italmobiliare S.p.A. in the first half of the year arose in particular from the merger of Franco Tosi S.r.l. (+241.3 million euro), offset in part by the acquisition of L'Aromatika S.r.l. through the NewCo Caffè Borbone S.p.A. (-143.2 million euro), by the dividend paid (-23.1 million euro) and by the share capital increase at Sirap-Gema S.p.A. (-10.0 million euro).

The reduction in the positive net financial position of the financial and private equity segment arose as a result of the movements described above, with the exception of the effect of the merger.

Significant events in the period

In May 2018, Italmobiliare S.p.A. completed the acquisition of L'Aromatika S.r.l., which is currently controlled by a NewCo (Caffè Borbone S.p.A.) in which, for an investment of approximately 143 million euro, Italmobiliare S.p.A. holds 60%; the remaining 40% is held by the founder of the Neapolitan company, the leading Italian player in compatible capsules and pods.

On May 2, 2018, the CCP3 fund managed by Clessidra SGR acquired 100% of the Scrigno Group, which produces and markets counter frames for sliding doors and windows.

Significant events after the reporting period

In July 2018, Italmobiliare S.p.A. reached an agreement to purchase a 40% interest in the Iseo Group, one of Europe's leading producers of mechatronic and digital access control and safety solutions. Closing is expected to take place in the fall.

On July 25, 2018, Massimo Tononi resigned from the Board of Directors of Italmobiliare S.p.A.

Other activities segment

This segment comprises a number of real estate companies, service companies operating essentially within the Group and Crédit Mobilier de Monaco, a bank based in the Principality of Monaco whose main activity is guarantee-backed loans. The segment is of marginal importance within the Italmobiliare Group.

In the first half of 2018, the segment reported revenue and income of 3.1 million euro, compared with 1.7 million euro in the first half of 2017. It posted a gross operating profit of 0.4 million euro (a loss of 0.4 million euro in the first half of 2017), an operating profit of 0.3 million euro (loss of 0.5 million euro in the first half of 2017) and a profit for the period of 0.5 million euro (a loss of 0.3 million euro in the first half of 2017). The above changes arose chiefly at the service companies Sepac and Italmobiliare Servizi S.r.l.

Significant events in the period

No significant events took place.

Significant events after the reporting period

No significant events took place.

Outlook

The Monaco bank's 2018 results will depend on the quantity and quality of the guarantee-backed loans it provides to customers, while the services arm will continue its operations within the Group, paying special attention to cost containment.

Transactions with related parties

For the purposes of the Group's 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 June 30, 2018 for transactions with related parties are provided in the notes.

No atypical or unusual transactions took place in the first half of 2018 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 nature (exchange of goods and/or services) and financial nature.

Italmobiliare S.p.A. also provides an "administrative service" 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 the first half of 2018 were as follows:

- legal consultancy, judicial and extrajudicial assistance provided to the Italmobiliare Group by the Gattai, Minoli, Agostinelli & Partners law firm, of which the Italmobiliare director Luca Minoli is a partner, for considerations totaling 130,000 euro;
- payment of insurance policy premiums to Assicurazioni Generali S.p.A., of which the Italmobiliare director Clemente Rebecchini is a director, for a consideration of approximately 9,000 euro;
- an amount of 250,000 euro set aside as a pro-quota provision for a 500,000 euro contribution resolved for the Cav. Lav. Carlo Pesenti foundation, whose President is CEO Carlo Pesenti.

Legal and tax disputes

With regard to Italmobiliare S.p.A., 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 closing dates, some representations and possible indemnification duties. Most of the claims regarding the application of these undertakings were resolved in a settlement agreed and executed during 2017. The company is involved in an adversarial procedure with the purchaser and is closely following developments regarding a number of claims about which an agreement has not been reached as regards the applicability of a contractual guarantee. In light of the undertakings, including the agreed contractual exemptions, the company has not deemed it necessary to set aside further provisions relating to the claims in question.

On January 30, 2018, a public hearing was held at the Milan Provincial Tax Commission to examine the appeals on dividends and controlled foreign companies (CFC) for the 2010 and 2011 tax years; the appeal on CFC for the 2012 tax year was heard on June 18, 2018. The final outcome of these disputes is as yet unknown.

With regard to the building in Rome, after briefs were presented by the company, the Financial Authorities announced their willingness to reduce the amount requested in the tax assessment notified in 2017 to approximately 0.4 million euro. Nevertheless, the company rejected the Authorities' proposal and presented an appeal on May 14, 2018, simultaneously paying an amount of approximately 0.2 million euro as 1/3 of the higher ascertained tax and related interest.

Appropriate provision has been made on an accruals basis for legal and tax disputes concerning other Group companies, in cases where, with respect to risks that have emerged and assessment of related risks, potential 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, laid out in art. 36 of the market regulation adopted by CONSOB with Resolution no. 16191 of October 29, 2007, on the basis of the «Audit Plan», one subsidiary headquartered in a non-European Union country is included in the scope of «material significance».

With regard to this company, all the conditions required for the maintenance of the listing of the company as the "*Parent company 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, sales and share capital increases by contributions in kind.

In compliance with this regime, the company provided appropriate disclosures to the market.

Outlook

Based on forward-looking economic indicators, the expansionary phase could extend beyond the first six months of 2019, accompanied by a gradual and contained rise in inflation. Consequently, the basic macro scenario continues potentially to support the stock markets. This context, and the expected normalization of monetary policies, also implies a gradual rise in bond yields, whose values are still significantly below equilibrium levels.

The macro situation is however subject to the specific risks inside the Eurozone, with the additional uncertainties of the Brexit transition, and to the more global risks of the possible repercussions of a trade war between the USA and its main trading partners, specifically China.

The continuing climate of uncertainty could therefore have direct repercussions on trends in the real economy, with a downturn in confidence among economic players, and indirectly through greater volatility on the financial markets.

In this context, Italmobiliare is working to further intensify strategic support for its equity investments in order to drive the operational and organizational growth of the more recent acquisitions, notably the Tecnica Group and Caffè Borbone, and improvements in the profitability and value of the equity investments already in portfolio.

At the same time, through “ownership deals”, Italmobiliare will continue to pursue investment opportunities in companies of excellence, with strong brands or leadership positions, possibly of larger dimensions than those completed to date.

With regard to its portfolio of listed stocks, in a context of greater volatility on the stock markets, Italmobiliare will continue active management of its equity investments, especially with regard to HeidelbergCement, through yield enhancement opportunities and activation of appropriate market tools for risk mitigation.

Milan, July 31, 2018

for the Board of Directors
The Chief Executive Officer

Condensed interim consolidated financial statements

Financial statements

Statement of financial position

(in thousands of euro)	Note	06.30.2018	12.31.2017	Change
Non-current assets				
Property, plant and equipment	1	148,156	130,618	17,538
Investment property		9,054	9,240	(186)
Goodwill	2	295,014	13,302	281,712
Intangible assets		2,642	2,146	496
Equity-accounted investees	3	54,485	53,165	1,320
Other equity investments	4	500,374	610,429	(110,055)
Trade receivables and other non-current assets	5	173,595	160,096	13,499
Deferred tax assets		30,365	16,198	14,167
Total non-current assets		**1,213,685**	**995,194**	**218,491**
Current assets				
Inventories		56,014	40,594	15,420
Trade receivables	6	93,113	61,911	31,202
Other current assets including derivatives		37,901	32,961	4,940
Tax assets		6,780	7,893	(1,113)
Equity investments, bonds and current loan assets	7	312,005	320,372	(8,367)
Cash and cash equivalents	8	87,475	217,870	(130,395)
Total current assets		**593,288**	**681,601**	**(88,313)**
Assets held for sale		**6,041**	**5,626**	**415**
Total assets		**1,813,014**	**1,682,421**	**130,593**
Equity				
Share capital	9	100,167	100,167	
Share premium		177,191	177,191	
Reserves	10	46,391	184,197	(137,806)
Treasury shares	11	(134,659)	(134,608)	(51)
Retained earnings		1,076,682	1,046,351	30,331
Equity attributable to owners of the parent		**1,265,772**	**1,373,298**	**(107,526)**
Non-controlling interests	12	94,981	359	94,622
Total equity		**1,360,753**	**1,373,657**	**(12,904)**
Non-current liabilities				
Financial liabilities	14	119,837	46,622	73,215
Employee benefits		11,613	9,908	1,705
Provisions	13	77,212	76,919	293
Other liabilities		3,817	2,669	1,148
Deferred tax liabilities		4,403	16,525	(12,122)
Total non-current liabilities		**216,882**	**152,643**	**64,239**
Current liabilities				
Bank loans and borrowings	14	31,215	14,640	16,575
Financial liabilities	14	73,399	39,759	33,640
Trade payables	15	77,802	63,143	14,659
Provisions	13	1,218	652	566
Tax liabilities		14,740	323	14,417
Other liabilities	16	36,737	37,604	(867)
Total current liabilities		**235,111**	**156,121**	**78,990**
Total liabilities		**451,993**	**308,764**	**143,229**
Liabilities directly linked to assets held for sale		**268**		**268**
Total equity and liabilities		**1,813,014**	**1,682,421**	**130,593**

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	H1 2018	%	H1 2017	%	Change	%
Revenue	17	**216,675**	**100.0**	**201,856**	**100.0**	**14,819**	**7.3**
Other revenue and income		4,985		4,878		107	
Change in inventories		7,620		547		7,073	
Internal work capitalized		65		3,051		(2,986)	
Raw materials and supplies	18	(103,957)		(65,363)		(38,594)	
Services	19	(33,988)		(35,587)		1,599	
Personnel expense	20	(48,398)		(80,018)		31,620	
Other operating income (expense)	21	(23,993)		(10,660)		(13,333)	
Gross operating profit		**19,009**	**8.8**	**18,704**	**9.3**	**305**	**1.6**
Amortization and depreciation	1	(8,263)		(9,857)		1,594	
Measurement gains on non-current assets	1	3,273		-		3,273	
Operating profit		**14,019**	**6.5**	**8,847**	**4.4**	**5,172**	**58.5**
Finance income	22	589		49		540	
Finance costs	22	(2,094)		(1,877)		(217)	
Exchange-rate differences and net gains (losses) on derivatives	22	675		(3,258)		3,933	
Impairment losses on financial assets	23			(19)		19	
Share of profit (loss) of equity-accounted investees	3	(3,008)		656		(3,664)	
Profit before tax		**10,181**	**4.7**	**4,398**	**2.2**	**5,783**	**n.s.**
Income tax (expense)	24	13,751		(1,908)		15,659	
Profit relating to continuing operations		**23,932**	**11.0**	**2,490**	**1.2**	**21,442**	**n.s.**
Profit (loss) relating to discontinued operations, net of tax effects		-		-			
Profit for the period		**23,932**	**11.0**	**2,490**	**1.2**	**21,442**	**n.s.**
Attributable to:							
Owners of the parent		22,329	10.3	2,460	1.2	19,869	n.s.
Non-controlling interests		1,603	0.7	30		1,573	n.s.
Earnings per share							
Basic ordinary shares	26	0.532 €		0.056 €			
Diluted ordinary shares	26	0.531 €		0.056 €			

Statement of comprehensive income

(in thousands of euro)	Note	H1 2018	%	H1 2017	%	Change	%
Profit for the period		**23,932**	**11.0**	**2,490**	**1.2**	**21,442**	**861.1**
Other comprehensive income (expense) relating to continuing operations							
Items that will not be reclassified to profit or loss subsequently							
Fair value gains (losses) on other comprehensive income (FVOCI)							
Fair value gains (losses) on other comprehensive income (FVOCI) - investments in equity-accounted investees							
Re-measurement of the net liability/(asset) for employee benefits							
Income taxes							
Total items that will not be reclassified to profit or loss subsequently							
Items that might be reclassified to profit or loss subsequently							
Translation reserve on foreign operations		(527)		(181)		(346)	
Fair value gains (losses) on cash flow hedging		(410)				(410)	
Fair value gains on cash flow hedging - investments in equity-accounted investees		404		25		379	
Fair value gains (losses) on financial assets measured at FVOCI		(103,289)		2,287		(105,576)	
Income taxes		1,254		23,319		(22,065)	
Total items that might be reclassified to profit or loss subsequently		**(102,568)**		**25,450**		**(128,018)**	
Total other comprehensive income (expense) relating to continuing operations net of tax effect		**(102,568)**		**25,450**		**(128,018)**	
Other comprehensive income relating to discontinued operations		-		-			
Total other comprehensive income (expense)	25	**(102,568)**		**25,450**		**(128,018)**	
Total comprehensive income (expense)		**(78,636)**	**-36.3**	**27,940**	**n.s.**	**(106,576)**	**n.s.**
Attributable to:							
owners of the parent		(80,436)		28,233		(108,669)	
non-controlling interests		1,800		(293)		2,093	

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	Total share capital and reserves		
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 (loss) for the period									2,460	2,460	30	2,490
Total other comprehensive income (expense)			25,613	25	-2			142		25,778	-328	25,450
Total other comprehensive income (expense) relating to assets held for sale												
Total comprehensive income			**25,613**	**25**	**-2**			**142**	**2,460**	**28,238**	**-298**	**27,940**
Stock options												
Dividends									-22,960	-22,960	-1,163	-24,123
Purchase of treasury shares							-100,118			-100,118		-100,118
%change in control and scope of consolidation						241			-768	-527	-898	-1,425
Balance at June 30, 2017	**100,167**	**177,191**	**141,717**	**-466**	**-1,136**	**13,218**	**-134,686**	**-4,933**	**938,516**	**1,229,588**	**6,853**	**1,236,441**
Profit (loss) for the period									112,512	112,512	244	112,756
Total other comprehensive income (expense)			31,310	60	639			-2,668		29,341	-692	28,649
Total other comprehensive income (expense) relating to assets held for sale												
Total comprehensive income			**31,310**	**60**	**639**			**-2,668**	**112,512**	**141,853**	**-448**	**141,405**
Purchase of treasury shares							78			78		78
Dividends											-1,506	-1,506
%change in control and scope of consolidation						-1,145			2,924	1,779	-4,540	-2,761
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**
Profit (loss) for the period									22,329	22,329	1,603	23,932
Total other comprehensive income (expense)			-102,035	158				-888		-102,765	197	-102,568
Total other comprehensive income (expense) relating to assets held for sale												
Total comprehensive income			**-102,035**	**158**				**-888**	**22,329**	**-80,436**	**1,800**	**-78,636**
Dividends									-23,071	-23,071		-23,071
Purchase of treasury shares							-51			-51		-51
Reclassification			-35,830						35,830			
%change in control and scope of consolidation and reclassifications				-98		-1		1,028	-4,897	-3,968	92,822	88,854
Balance at June 30, 2018	**100,167**	**177,191**	**35,162**	**-346**	**-497**	**12,072**	**-134,659**	**-7,461**	**1,084,143**	**1,265,772**	**94,981**	**1,360,753**

Statement of cash flows

(in thousands of euro)	Note	H1 2018	H1 2017
A) Cash flow from (used in) operating activities:			
Profit before tax		10,181	4,398
Adjustments for:			
Amortization, depreciation and impairment losses		4,990	9,876
Reversal of share of profit (loss) of equity-accounted investees		3,009	(656)
(Gains)/losses on non-current assets		(1,548)	(2,810)
Change in employee benefits and other provisions		1,771	(5,697)
Reversal of net finance costs and income		(1,774)	(19,912)
Cash flow from (used in) operating activities		**629**	**(14,801)**
Change in working capital:			
Inventories		(11,025)	(2,570)
Trade receivables		(18,042)	(491)
Trade payables		502	8,350
Other receivables/payables, prepayments and accrued income, accrued expense and deferred income		6,392	655
Cash flow from (used in) operating activities before tax, finance income/costs		**(21,544)**	**(8,857)**
Net finance costs paid		(67)	53
Dividends received		9,713	10,079
Taxes paid		(518)	(865)
		9,128	**9,267**
Total A)		**(12,416)**	**410**
Cash flow from operating activities of discontinued operations			
B) Cash flow from (used in) investing activities:			
Capital expenditure:			
PPE and investment property		(4,609)	(7,512)
Intangible assets		(672)	(4,246)
Financial assets (equity investments) net of cash acquisitions		(327,560)	(23,599)
Total capital expenditure		**(332,841)**	**(35,357)**
Proceeds from sale of non-current assets and loan repayments		12,751	47,882
Total sales		**12,751**	**47,882**
Total B)		**(320,090)**	**12,525**
Cash flow used in investing activities of discontinued operations (*)			
C) Cash flow from (used in) financing activities:			
Change in financial liabilities		119,524	6,821
Change in financial assets		6,757	18,572
Change in current equity investments		5,321	(12,766)
Change in treasury shares		(51)	(100,118)
Percentage change in interests in consolidated companies		94,615	
Dividends paid		(23,072)	(24,123)
Other changes in equity		(8,858)	(3,505)
Total C)		**194,236**	**(115,119)**
Cash flow used in financing activities of discontinued operations			
D) Translation differences and other changes			
Translation differences and other changes		7,875	220
Total D)		**7,875**	**220**
Translation differences and other changes relating to discontinued operations			
E) Cash flows for the period, continuing operations (A+B+C+D)		**(130,395)**	**(101,964)**
F) Cash and cash equivalents at beginning of period, continuing operations		**217,870**	**285,505**
Cash and cash equivalents at end period, continuing operations (E+F)	8	**87,475**	**183,541**

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

Notes to the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of Italmobiliare S.p.A. as at and for the six months ended June 30, 2018 were approved by the Board of Directors on July 31, 2018. At the meeting, the Board authorized publication of a press release dated July 31, 2018 containing key information from the financial statements.

Statement of compliance with the IFRS

The condensed interim consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at June 30, 2018, endorsed by the European Union; specifically, the condensed interim consolidated financial statements have been drawn up in accordance with International Accounting Standard 34 governing interim financial reporting.
The condensed interim consolidated financial statements do not present all the information and notes published in the annual report and should therefore be read in conjunction with the consolidated financial statements of Italmobiliare S.p.A. as at and for the year ended December 31, 2017.

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 at June 30, 2018, that had not been endorsed by the European Union at that date.

On January 1, 2018, the Group adopted the new standards and changes described below, including the changes arising therefrom applied to other standards. The changes in the accounting policies will also have effects on the consolidated financial statements for the year ending December 31, 2018:

- IFRS 9 "Financial instruments";
- IFRS 15 "Revenue from contracts with customers" including related amendments and clarifications;
- IFRIC 22 "Foreign currency transactions and advance consideration";
- Amendments to IAS 40 "Transfers of investment property";
- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions";
- Annual improvements cycle to IFRS 2014-2016;
- Amendments to IFRS 4 "Applying IFRS 9 financial instruments with IFRS 4 insurance contracts".

The new international accounting standard IFRS 9 "Financial instruments" has replaced IAS 39 "Financial instruments: recognition and measurement" and introduced new requirements for the recognition and measurement of financial assets and financial liabilities.
IFRS 9 substantially retains the requirements of IAS 39 for the classification and measurement of financial liabilities. With regard to financial assets, on the other hand, the new policy eliminates the categories envisaged by IAS 39: held to maturity, loans and receivables, and available for sale. The adoption of IFRS 9 does not have material effects on the measurement criteria applied by the Group to financial liabilities.
Under IFRS 9, on initial recognition, a financial asset is classified according to its measurement: at amortized cost; FVOCI – debt instrument; FVOCI – equity instrument; or at FVTPL. Classification under IFRS 9 is usually based on the entity's business model for management of financial assets and on the contractual cash flow characteristics of the financial asset.
A financial asset must be measured at amortized cost if both of the following conditions are satisfied and it is not designated at FVTPL:

- the financial asset is held under a business model whose objective is to hold financial assets in order to collect the related contract cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may make an irrevocable election to recognize subsequent changes in fair value in other comprehensive income. This decision is made for each investment.
All financial assets not classified as measured at amortized cost or at FVOCI, as indicated above, are measured at FVTPL. This includes all derivatives.

Furthermore, IFRS 9 replaces the 'incurred loss' model envisaged by IAS 39 with an 'expected credit loss' model, or 'ECL'. The new impairment model applies to financial assets measured at amortized cost, to assets arising from contracts and to debt instruments at FVOCI, with the exception of equity instruments. Under IFRS 9, credit losses are recognized earlier than previously required under IAS 39.
Financial assets measured at amortized cost include trade receivables, cash and cash equivalents and corporate debt instruments.

In accordance with the new standard, the Group has elected the following accounting treatment:

- equity investments previously classified as available-for-sale (AFS) are classified as financial assets measured at fair value through other comprehensive income (FVOCI);
- equity investments previously classified as held for trading are classified as financial assets measured at fair value through profit or loss (FVTPL);
- investment funds are classified as financial assets measured at FVTPL;
- bonds that present the characteristics required by the standard are normally classified as financial assets measured at amortized cost; otherwise, they are classified as financial assets measured at FVTPL;
- trade receivables are classified as financial assets measured at amortized cost.

The effects of the application of IFRS 9 on the opening balances at January 1, 2018 are illustrated in the comments in note 10 on the reserves.

IFRS 15 introduces a single general model specifying if, when and the extent to which revenue is recognized. It replaces IAS 18 Revenue, IAS 11 Construction contracts, and the related interpretations.
Under IFRS 15, revenue is recognized when control of the goods or services passes to the customer. Determination of when control passes, either at a point in time or over time, involves an assessment by the management of the entity.
IFRS 15 has not had material effects on the measurement criteria applied by the Group companies.

The accounting treatment arising from the amendments to the other policies, effective as of January 1, 2018, has not had material effects on the Group companies.

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

The new policies or amendments to policies applicable in annual reporting periods beginning after January 1, 2018, early application of which may be elected, are indicated below. The Group has decided not to elect early application in the preparation of these condensed interim consolidated financial statements:

- IFRS 16 “Leases”;
- Amendments to IFRS 9 “Prepayment features with negative compensation”.

IFRS 16 replaces the current requirements governing leasing, including IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – incentives, and SIC-27 Evaluating the substance of transactions in the legal form of a lease.
IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019.
IFRS 16 introduces a single lessee accounting model, requiring the lessee to recognize an asset representing the right to use the underlying asset and a liability reflecting the minimum lease payments payable over the term of the lease. Leases with a term of one year or less and leases where the underlying asset has a low value are exempt from application of IFRS 16. Lessor accounting is substantially similar to that of the standard currently in effect, whereby the lessor continues to classify leases as operating or finance.

From a preliminary assessment of the potential effects on the consolidated financial statements, IFRS 16 "Leases" is expected to have a material effect on most of the consolidated companies by virtue of their many finance and operating leases. Impact is expected to be greatest in the Industrial and services for industry segment, and less pronounced in the Financial and Private equity segment.

Standards and interpretations published by the IASB and the IFRIC at June 30, 2018, but not endorsed by the European Union at that date

- IFRS 17 “Insurance contracts” issued in May 2017, a new complete standard relating to insurance contracts, which covers measurement and recognition, presentation and disclosure;
- IFRIC 23 “Uncertainty over income tax treatments” issued in June 2017;
- Amendments to IAS 28 “Long-term interest in associates and joint ventures” issued in October 2017;
- Annual improvements cycle to IFRS 2015-2017 issued in December 2017;
- Amendments to IAS 19 “Plan amendment, curtailment or settlement” issued in February 2018;
- Amendments to the references to the Conceptual Framework for Financial Reporting issued in March 2018.

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

Discretional measurements and use of estimates

In the preparation of these condensed interim consolidated financial statements, the discretional measurements made in the application of the Group accounting policies and the main sources of uncertainty relating to estimates are the same as those used in the preparation of the consolidated financial statements as at and for the year ended December 31, 2017.

Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:

Currencies	Average rate H1 2018	Average rate Full year 2017	Average rate H1 2017	Closing rate June 30, 2018	Closing rate December 31, 2017	Closing rate June 30, 2017
Czech koruna	25.50049	26.32837	26.78410	26.020000	25.535000	26.197000
Serbian dinar	118.25132	121.36576	123.31935	118.518800	118.638600	120.577836
UAE dirham	4.44502	4.14666	3.97562	4.281400	4.404400	4.189345
Moroccan dirham	11.24695	10.94961	10.78148	11.108000	11.236000	11.009459
Australian dollar	1.56881	1.47281	1.43638	1.578700	1.534600	1.485100
US dollar	1.21035	1.12945	1.08298	1.165800	1.199300	1.141200
Hungarian florin	314.11278	309.17732	309.41244	329.770000	310.330000	308.970000
Swiss franc	1.16975	1.11144	1.07661	1.156900	1.170200	1.093000
Ukrainian hryvnia	32.37422	30.01425	28.97288	30.686800	33.731800	29.743719
Croatian kuna	7.41782	7.46338	7.44870	7.386000	7.440000	7.410300
Moldavian leu	20.21023	20.84146	20.93471	19.659500	20.527100	20.717801
Bulgarian lev	1.95580	1.95583	1.95581	1.955800	1.955830	1.955800
Egyptian pound	21.45839	20.15363	19.44874	20.866000	21.330900	20.644137
Bosnian mark	1.95583	1.95583	1.95581	1.955830	1.955830	1.955800
New Turkish lira	4.95655	4.11867	3.93894	5.338500	4.546400	4.013400
New Romanian leu	4.65429	4.56853	4.53705	4.663100	4.658500	4.552300
Mexican peso	23.08502	21.32289	21.04336	22.881700	23.661200	20.583900
Brazilian real	4.14146	3.60437	3.44291	4.487600	3.972900	3.760000
Chinese renminbi	7.70859	7.62800	7.44450	7.717000	7.804400	7.738500
Pound sterling	0.87977	0.87656	0.86054	0.886050	0.887230	0.879330
Polish zloty	4.22075	4.25702	4.26890	4.373200	4.177000	4.225900

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

The main changes in the scope of consolidation in the first six months were as follows:

- the line-by-line consolidation of the Sirap Gmbh company (Germany);
- the line-by-line consolidation of the Sirap Packaging Iberica SLU company (Spain);
- the line-by-line consolidation of the Sirap UK Limited company (United Kingdom);
- the line-by-line consolidation of the L'Aromatika S.r.l. company (Italy);
- the line-by-line consolidation of the newco Caffè Borbone S.p.A. (formerly FT S.p.A.) (Italy), in which Italmobiliare holds 60% and through which a 100% holding has been acquired in L'Aromatika S.r.l.

With effect from January 1, 2018, the Franco Tosi S.r.l. company has been merged into and with Italmobiliare S.p.A. (Italy).

Seasonal nature of interim business

The Group industrial operating segments are subject to seasonal trends, and this must be taken into account in the analysis and assessment of performance in interim periods. Specifically, business levels are affected by meteorological conditions, which are usually less favorable in the summer months for the hydroelectric energy segment, but obviously may vary from year to year. Consequently, performance in the first half may not be representative of a full-year trend.

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.

The table below sets out segment revenue and income and performance for the six months ended June 30, 2018:

(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	177,070		177,070	16,615	11,903			(3,008)		
Financial and private equity segment	45,618	(7,678)	37,940	9,464	9,172					
Other activities segment	3,063	(1,398)	1,665	444	274					
Unallocated items and adjustments	(9,076)	9,076		(7,514)	(7,330)	(830)			10,181	13,751
Total	**216,675**		**216,675**	**19,009**	**14,019**	**(830)**		**(3,008)**	**10,181**	**13,751**

The table below sets out segment revenue and income and performance for the six months ended June 30, 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	161,907		161,907	12,282	2,688			656		
Financial and private equity segment	46,655	(7,814)	38,841	14,525	14,180		(19)			
Other activities segment	1,726	(618)	1,108	(445)	(522)					
Unallocated items and adjustments	(8,432)	8,432		(7,658)	(7,499)	(5,086)			4,398	(1,908)
Total	**201,856**		**201,856**	**18,704**	**8,847**	**(5,086)**	**(19)**	**656**	**4,398**	**(1,908)**

The table below sets out other segment data at June 30, 2018:

	June 30, 2018		June 30, 2018			
(in thousands of euro)	Total assets	Total liabilities	PPE, inv. prop. and intangible assets	Non-current financial assets	Amortization and depreciation	Impairment losses on non-current assets
Industrial and services for industry segment	675,566	395,509	5,538	352,569	(7,982)	3,273
Financial and private equity segment	1,384,337	71,843	67	17,586	(292)	
Other activities segment	28,089	10,169	19	45	(170)	
Inter-segment eliminations	(281,019)	(25,528)			181	
Total	**1,806,973**	**451,993**	**5,624**	**370,200**	**(8,263)**	**3,273**
From assets held for sale	6,041	268				
Total	**1,813,014**	**452,261**	**5,624**	**370,200**	**(8,263)**	**3,273**

The table below sets out other segment data at December 31, 2017 and June 30, 2017:

	December 31, 2017		June 30, 2017			
(in thousands of euro)	Total assets	Total liabilities	PPE, inv. prop. and intangible assets	Non-current financial assets	Amortization and depreciation	Impairment losses on non-current assets
Industrial and services for industry segment	280,730	239,163	11,356		(9,594)	
Financial and private equity segment	1,490,223	81,360	214	23,599	(345)	
Other activities segment	27,002	9,316	101		(77)	
Inter-segment eliminations	(121,160)	(21,075)			159	
Total	**1,676,795**	**308,764**	**11,671**	**23,599**	**(9,857)**	
From assets held for sale	5,626					
Total	**1,682,421**	**308,764**				

Assets

Non-current assets

1) Property, plant and equipment

Property, plant and equipment amounted to 148,156 thousand euro. Additions for capital expenditure of 4,952 thousand euro were mainly in Italy for 3,663 thousand euro, France for 311 thousand euro and Poland for 296 thousand euro.
The new companies included the consolidation scope in the first half of the year have property, plant and equipment worth 26,293 thousand euro.

Depreciation for the period was 7,831 thousand euro (6,465 thousand euro in the first half of 2017).

Impairment losses of 2,921 thousand euro were applied to the non-current assets of the Italgen Maroc Ener company (impairment losses of 356 thousand euro in the first half of 2017).

No assets were pledged as security for bank loans.

2) Goodwill

Goodwill at June 30, 2018 amounted to 295,014 thousand euro, as follows:

- industrial and services for industry segment (coffee business) for 281,712 thousand euro;
- industrial and services for industry segment (food packaging business) for 10,308 thousand euro;
- financial and private equity segment for 2,994 thousand euro.

The increase arose from the acquisition by the Group of the L'Aromatika company, which owns the "Caffè Borbone" brand.

In respect of this business combination, the Group recognized goodwill of 281.7 million euro in the condensed interim consolidated financial statements. The amount, determined on a provisional basis, reflects the difference between the consideration paid and the equity of L'Aromatika S.r.l. Within twelve months from the date of acquisition of control, the provisional amounts for the business combination may be amended and/or supplemented as a result of the purchase price allocation procedure currently underway.

Goodwill impairment testing

No trigger events occurred to necessitate a new impairment test.

3) Equity-accounted investees

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

	Carrying amount		Share of profit (loss)	
(in thousands of euro)	June 30, 2018	December 31, 2017	2018	2017
Associates				
Tecnica Group	40,750	43,315	(2,988)	-
Dokimè	3,704	-	(10)	-
S.E.S.	9,600	9,600	-	-
Other	431	250	(10)	656
Total associates	**54,485**	**53,165**	**(3,008)**	**656**

4) Other equity investments

Other equity investments at June 30, 2018 were as follows:

(in thousands of euro)	Number of shares	June 30, 2018
Investments in listed companies		
HeidelbergCement	4,831,771	348,274
Mediobanca	9,237,720	73,957
Vontobel	115,238	7,167
Coima Res	412,332	3,270
Unicredit	204,331	2,932
Cairo Communication	189,198	643
Ubi	117,142	386
Piaggio	269,699	586
Ideami	300,000	2,886
Ideami w arrant	60,000	33
Total		**440,134**
Investments in non-listed companies		
Sciquest		35,829
Fin Priv		16,883
Sesaab		1,982
New flour		2,767
Other		2,779
Total		**60,240**
At June 30, 2018		**500,374**

The fair value of listed companies is determined on the basis of the official share price on the last available trading day.
The methods used to measure the fair value of non-listed investments depend on the characteristics of the companies and the data available.

Other equity investments decreased by 110,055 thousand euro on December 31, 2017 (610,429 thousand euro).

The change was largely the result of the following events:

- the fair value adjustment of the equity investment in HeidelbergCement, for -87,793 thousand euro.
- sales of Mediobanca shares for 1,367 thousand euro and the fair value adjustment for -14,098 thousand euro;
- the fair value adjustment of FinPriv, for -3,005 thousand euro;
- the acquisition of Unicredit shares for 1,617 thousand euro and the fair value adjustment for -479 thousand euro;
- the sale of the equity investment in the Banca Leonardo group for 5,660 thousand euro;
- the purchase of the equity investment in Newflour for 2,767 thousand euro;
- the fair value adjustment of the equity investment in Vontobel for +1,111 thousand euro.

As required by IFRS 9, the fair value adjustments detailed above were recognized in the specific FVOCI reserve in equity.

5) Trade receivables and other non-current assets

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Non-current receivables	19,635	20,295	(660)
Bonds	16,477	16,375	102
Investment and private equity funds	134,254	119,666	14,588
Guarantee deposits	486	910	(424)
Other	2,743	2,850	(107)
Total	**173,595**	**160,096**	**13,499**

Current assets

6) Trade receivables

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Gross amount	96,392	64,369	32,023
Allowance for impairment	(3,279)	(2,458)	(821)
Total	**93,113**	**61,911**	**31,202**

The increase was largely due to the consolidation of the companies that entered the Group scope of consolidation in 2018.

7) Equity investments, bonds and current loan assets

The balance on this caption was as follows:

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Trading equities	39,275	42,633	(3,358)
Trading bonds	23,872	26,885	(3,013)
Funds and other financial instruments	248,089	250,759	(2,670)
Bank loans and borrowings	769	95	674
Net amount	**312,005**	**320,372**	**(8,367)**

8) Cash and cash equivalents

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Cash and checks in hand	1,106	269	837
Bank and postal accounts	86,369	217,601	(131,232)
Total	**87,475**	**217,870**	**(130,395)**

Short-term deposits have varying maturities within three months.
The decrease arose mainly as a result of the acquisition of the equity investment in the L'Aromatika S.r.l. company through the newco Caffè Borbone S.p.A., in which the parent holds a 60% interest.

The table below sets out cash and cash equivalents by currency:

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Euro	68,494	214,722	(146,228)
US dollar	7,146	206	6,940
Pound sterling	1,384		1,384
Swiss franc	7,795	718	7,077
Czech koruna	457	345	112
Croatian kuna	534	559	(25)
Others	1,665	1,320	345
Total	**87,475**	**217,870**	**(130,395)**

Equity and liabilities

Share capital, reserves and retained earnings

9) Share capital

At June 30, 2018, the parent's fully paid-up share capital amounted to 100,166,937 euro represented by 47,633,800 no-par ordinary shares, as follows:

Number of shares	June 30, 2018	December 31, 2017	Change
Ordinary shares	47,633,800	47,633,800	-
Total	**47,633,800**	**47,633,800**	

10) Reserves

Fair value reserve for available-for-sale financial assets – attributable to owners of the parent

The write-off of the reserve was due to the reclassification to retained earnings of the amount reflected on the fair value reserve at December 31, 2017 for financial instruments measured at FVTPL as from January 1, 2018 for 35,830 thousand euro and the reclassification to the new fair value reserve for financial assets measured at FVOCI for 137,197 thousand euro.

Fair value reserve for financial assets measured at FVOCI – attributable to owners of the parent

The reserve reflects the reclassified amount described above and the fair value adjustment to the financial assets measured at fair value through other comprehensive income (FVOCI) for -102,035 thousand euro.

Translation reserve – attributable to owners of the parent

This reserve reflects differences on the translation of the financial statements of the consolidated foreign operations. At June 30, 2018, the reserve was negative at 7.5 million euro, referring to the following currencies:

(in millions of euro)	June 30, 2018	December 31, 2017	Change
Egypt (Pound)	(4.5)	(4.5)	-
Ukraine (Hryvnia)	(2.1)	(2.3)	0.2
Poland (Zloty)	(1.0)	(0.4)	(0.6)
Sw itzerland (Franc)	0.1	0.4	(0.3)
Other countries	-	(0.8)	0.8
Total	**(7.5)**	**(7.6)**	**0.1**

Dividends paid

The parent Italmobiliare S.p.A. paid the following dividends:

	2018 (euro per share)	2017 (euro per share)	2018 (000 euro)	2017 (000 euro)
Ordinary shares	0.550	1.000	23,071	22,960
Total dividends			**23,071**	**22,960**

In 2017, a 1:2 stock split was carried out with the assignment of two ordinary shares to every one ordinary share in accordance with the shareholder resolution of April 19, 2017.

11) Treasury shares

At June 30, 2018 treasury shares in portfolio stood at 134,659 thousand euro, a slight increase due to the exercise of stock options. Treasury shares were as follows:

	No. ordinary shares	Carrying amount (000 euro)	Total carrying amount
At December 31, 2017	**5,690,870**	**134,608**	**134,608**
exercise of stock options	(5,000)	51	**51**
At June 30, 2018	**5,685,870**	**134,659**	**134,659**

Ordinary treasury shares in portfolio at June 30, 2018 in part service stock option plans for directors and managers.

12) Non-controlling interests

At June 30, 2018, non-controlling interests amounted to 94,981 thousand euro (359 thousand euro at December 31, 2017); the increase was largely related to the 40% non-controlling interest in the Caffè Borbone company, which holds direct 100% control of L’Aromatika S.r.l.

Non-current and current liabilities

13) Provisions

Non-current and current provisions totaled 78,430 thousand euro at June 30, 2018 (77,571 thousand euro at December 31, 2017). They consisted mainly of amounts set aside for tax and legal disputes and for contractual and commercial liabilities.

In the first half of 2018, there was a 859 thousand euro increase, arising chiefly from accruals of 1,372 thousand euro, of which 640 thousand euro for liquidation expense at Universal Imballaggi S.p.A.

14) Financial liabilities

Financial liabilities included in the net financial position are shown below by category, subdivided by current and non-current liabilities:

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Bank loans and borrowings	114,438	45,409	69,029
Other loans and borrowings	3,155	998	2,157
Finance lease payables	2,244	215	2,029
Bank loans and borrowings and non-current financial liabilities	**119,837**	**46,622**	**73,215**
Total non-current financial liabilities	**119,837**	**46,622**	**73,215**
Bank loans and borrowings	31,215	14,640	16,575
Current borrowings	68,309	38,154	30,155
Other loans and borrowings	14,368	9,441	4,927
Finance lease payables	264	85	179
Accrued interest expense	136	366	(230)
Bank loans and borrowings and current financial liabilities	**114,292**	**62,686**	**51,606**
Fair value of derivatives	1,295	3,964	(2,669)
Total current financial liabilities	**115,587**	**66,650**	**48,937**
Total financial liabilities	**235,424**	**113,272**	**122,152**

The increase in financial liabilities related for more than 100 million euro to the borrowing for the acquisition of the L'Aromatika company.

Non-current financial liabilities by currency were as follows:

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Euro	115,526	41,691	73,835
Polish zloty	4,311	4,892	(581)
Hungarian florin	-	39	(39)
Total	**119,837**	**46,622**	**73,215**

Non-current financial liabilities by maturity were as follows:

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
2018	-	19,920	(19,920)
2019	15,361	14,817	544
2020	25,309	8,195	17,114
2021	21,833	1,501	20,332
2022	26,033	580	25,453
2023	28,435	542	27,893
Beyond	2,866	1,067	1,799
Total	**119,837**	**46,622**	**73,215**

Net financial position

The positive net financial position at June 30, 2018 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	173,595	117,268	56,327			56,327	
Other current assets including derivatives	37,902	25,004	12,898	12,898			
Financial assets and equity investments held for trading	312,005	1,962	310,043	310,043			
Cash and cash equivalents	87,475		87,475	87,475			
Assets held for sale	6,041	5,697	344	344			
Non-current financial liabilities	(119,837)		(119,837)				(119,837)
Bank loans and borrowings	(31,215)		(31,215)		(31,215)		
Current financial liabilities	(73,399)		(73,399)		(73,399)		
Other liabilities	(36,737)	(26,764)	(9,973)		(9,973)		
Liabilities intended for sale	(268)	(268)					
Total	**355,562**	**122,899**	**232,663**	**410,760**	**(114,587)**	**56,327**	**(119,837)**

The net financial position at June 30, 2018 was positive at 232,663 thousand euro, as follows:

(in thousands of euro)	June 30, 2018		December 31, 2017		Change	
Current financial assets	**410,416**		**549,209**		**(138,793)**	
Cash and cash equivalents		87,475		217,870		(130,395)
Derivatives - assets		4,595		2,827		1,768
Other current financial assets		318,346		328,512		(10,166)
Current financial liabilities	**(114,587)**		**(66,650)**		**(47,937)**	
Bank loans and borrowings		(31,215)		(14,640)		(16,575)
Current loans and borrowings		(82,077)		(48,046)		(34,031)
Derivatives - liabilities		(1,295)		(3,964)		2,669
Non-current financial assets	**56,327**		**58,842**		**(2,515)**	
Non-current financial assets		56,327		58,842		(2,515)
Non-current derivatives						
Non-current financial liabilities	**(119,837)**		**(46,622)**		**(73,215)**	
Non-current financial liabilities		(119,837)		(46,622)		(73,215)
Non-current derivatives						
Net financial position relating to continuing operations	**232,319**		**494,779**		**(262,460)**	
Discontinued operations		344				344
Liabilities directly linked to discontinued operations						
Net financial position relating to discontinued operations	**344**				**344**	
Total net financial position	**232,663**		**494,779**		**(262,116)**	

The net financial position at June 30, 2018, calculated in compliance with Consob communication no. DEM 6064293/2006 of July 28, 2006 (i.e., not including non-current financial assets) was positive at 175,992 thousand euro (435,937 thousand euro at December 31, 2017).

Comparison between fair value and carrying amount

The table below compares the carrying amount and the fair value of financial assets and liabilities at June 30, 2018:

(in thousands of euro)	June 30, 2018 Carrying amount	Fair value	December 31, 2017 Carrying amount	Fair value
Financial assets				
Assets measured at fair value through profit or loss				
Cash and cash equivalents	87,475	87,475	217,870	217,870
Short-term derivatives	*4,595*	*4,595*	*2,827*	*2,827*
Derivatives	4,595	4,595	2,827	2,827
Equity investments, bonds and current loan assets	312,005	312,003	320,372	320,372
Banking and other receivables	8,303	8,303	9,388	9,388
Loans and receivables				
Trade receivables	93,113	93,113	61,911	61,911
Receivables and other non-current assets	173,595	173,657	160,096	160,096
Assets measured at FVOCI				
Non-current equity investments	500,374	500,374	610,429	610,429
Held-to-maturity investments				
Total	**1,179,460**	**1,179,520**	**1,382,893**	**1,382,893**
Financial liabilities				
Trade payables	77,802	77,802	63,143	63,143
Current loans and borrowings	*104,614*	*104,614*	*54,399*	*54,399*
Other financial liabilities	*8,678*	*8,678*	*8,287*	*8,287*
Total current financial liabilities	113,292	113,292	62,686	62,686
Short-term derivatives	*1,295*	*1,295*	*3,964*	*3,964*
Total derivatives	1,295	1,295	3,964	3,964
Non-current loans and borrowings	119,837	119,837	46,622	46,622
Total	**312,226**	**312,226**	**176,415**	**176,415**

Fair Value – hierarchy

The Group uses the following hierarchy based on different measurement methods to determine and document the fair value of financial instruments:

- 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 June 30, 2018, financial instruments measured at fair value were as follows:

(in thousands of euro)	June 30, 2018	Level 1	Level 2	Level 3
Derivatives - assets	4,595	685	3,910	
Equity investments, bonds and current loan assets	311,236	120,089	176,375	14,772
Receivables and other non-current assets	150,731	4,030	3,030	143,671
Non-current equity investments	500,374	440,134	16,883	43,357
Current financial liabilities (*)	104,350		104,350	
Derivatives - liabilities	1,295	10	1,285	
Non-current financial liabilities (*)	117,595		117,595	

(*) not including financial liabilities relating to leases

	Level 3	Increases							Decreases							Level 3
(in thousands of euro)	12/31/2017	Pur-chases	Gains in income statement	Other gains in income state-ment	Gains in equity	Other changes	Reclass. IFRS9	Transfers from other levels	Sales	Repay-ments	Realiz. losses in income state-ment	Other losses in income state-ment	Losses in equity	Other changes	Transfers to other levels	06/30/2018
bonds and current loan assets	3,711	77		760		1,340	10,000		(366)	(122)	(551)	(77)				14,772
Banking and other receivables	1,329					(1,329)										
Receivables and other non-current assets	119,667	18,464		5,278		820	9,417		(7,755)	(114)		(2,106)				143,671
Non-current equity investments	48,769	2,785			1,120	108				(4,948)			(1,017)	(3,460)		43,357

The reclassification for 19,417 thousand euro refers to securities previously measured at amortized cost, which, after the introduction of IFRS 9, are now included in the fair value hierarchy table.

Covenants

In addition to the customary clauses, some of the loan agreements granted to Group companies include covenants requiring compliance with financial ratios, fixed for the most part at the year end.

Loans subject to covenants at June 30, 2018 stood at 12.0 million euro of Italgen group gross financial liabilities.
The key financial ratio is “leverage” (Italgen S.p.A. net financial debt/Italgen S.p.A. gross operating profit; the calculation of net financial debt does not include amounts due from associates or Group companies). The ceiling is 4.5, monitored on an annual basis.

In the Sirap group, 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 residual 219 thousand euro loan maturing on December 31, 2018;
- a 2,090 thousand euro loan maturing on January 31, 2027;
- a 1,779 thousand euro loan maturing on August 31, 2027;
- a 1,165 thousand euro loan maturing on February 28, 2023.

These loans have covenants on: total annual revenue, percentage net profit, current ratio, receivables and current investments/current liabilities. Compliance with the covenants is checked at the end of the year.

The Caffè Borbone company has arranged loans totaling 102.5 million euro subject to covenants.
The reference indicator is "leverage" (ratio between net financial debt and gross operating profit). Leverage may not be equal to or higher than specific limits that vary over time, with a range descending from 3.50x at December 31, 2018 to 2.25x at December 31, 2022.

Derivatives

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

	June 30, 2018		December 31, 2017	
(in thousands of euro)	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives hedging cash flows		(410)		
Interest-rate derivatives hedging fair value				
Interest-rate derivatives for trading	685	(10)	20	(46)
Interest-rate derivatives	**685**	**(420)**	**20**	**(46)**
Derivatives on equities, securities and indices	3,910	(875)	2,807	(3,918)
Total current instruments	**4,595**	**(1,295)**	**2,827**	**(3,964)**
Total	**4,595**	**(1,295)**	**2,827**	**(3,964)**

15) Trade payables

The balance on this caption was as follows:

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Suppliers	77,802	63,143	14,659
Other trade payables	-	-	-
Total	**77,802**	**63,143**	**14,659**

The increase arose from the entry into the Group of the L'Aromatika S.r.l. company.

16) Other liabilities

(in thousands of euro)	June 30, 2018	December 31, 2017	Change
Due to employees	9,668	7,342	2,326
Due to social security authorities	4,721	4,724	(3)
Due to tax authorities	4,798	4,600	198
Accrued expenses and deferred income	2,160	2,772	(612)
Derivatives	1,295	3,964	(2,669)
Due to customers	8,678	8,287	391
Advances from customers	859	1,392	(533)
Due to suppliers for non-current assets	1,544	1,353	191
Other liabilities	3,014	3,170	(156)
Total	**36,737**	**37,604**	**(867)**

Commitments

At June 30, 2018, the Group had commitments for future payments to private equity funds totaling 22.7 million US dollars and 42.0 million euro.

At June 30, 2018, the Group had commitments relating to rental contracts, leases and concessions for amounts totaling 38.2 million euro.

Tecnica Group S.p.A. shares have been pledged as collateral for bank loans granted to Tecnica Group S.p.A.

Income statement

17) Revenue and income

Revenue from sales and services and income totaled 216,675 thousand euro, as follows:

(in thousands of euro)	H1 2018	H1 2017	Change	% change
Industrial revenue				
Product sales	159,307	101,382	57,925	57.1%
Services provided	18,501	60,711	(42,210)	-69.5%
Other revenue	102	64	38	59.4%
Total	**177,910**	**162,157**	**15,753**	**9.7%**
Financial revenue				
Interest	817	1,063	(246)	-23.1%
Dividends	9,713	10,078	(365)	-3.6%
Commissions	6,109	9,027	(2,918)	-32.3%
Gains realized and other revenue and income	21,329	18,745	2,584	13.8%
Total	**37,968**	**38,913**	**(945)**	**-2.4%**
Revenue other activities				
Interest	743	760	(17)	-2.2%
Property and service revenue	54	26	28	n.s.
Total	**797**	**786**	**11**	**1.4%**
Grand total	**216,675**	**201,856**	**14,819**	**7.3%**

The reader is referred to the Directors' Report for comments on the changes in revenue and acquisition costs.

18) Raw materials and supplies

Expense for raw materials and supplies amounted to 103,957 thousand euro, as follows:

(in thousands of euro)	H1 2018	H1 2017	Change	% change
Raw materials and semifinished goods	53,392	29,988	23,404	78.0%
Fuel	306	187	119	63.6%
Materials and machinery	10,918	3,763	7,155	n.s.
Finished goods	24,591	20,548	4,043	19.7%
Electricity, water and gas	11,342	12,294	(952)	-7.7%
Change in inventories of raw materials, consumables and other	3,408	(1,417)	4,825	n.s.
Total	**103,957**	**65,363**	**38,594**	**59.0%**

The increase in expense for purchases of raw materials and semifinished goods arose chiefly at the Sirap group, as noted in the Directors' Report.

19) Services

Expense for services amounted to 33,988 thousand euro, as follows:

(in thousands of euro)	H1 2018	H1 2017	Change	% change
External services and maintenance	8,034	6,958	1,076	15.5%
Transport	9,505	6,534	2,971	45.5%
Legal fees and consultancy	5,103	8,277	(3,174)	-38.3%
Rents	4,273	5,963	(1,690)	-28.3%
Insurance	1,010	1,083	(73)	-6.7%
Membership fees	164	140	24	17.1%
Other sundry expense	5,899	6,632	(733)	-11.1%
Total	**33,988**	**35,587**	**(1,599)**	**-4.5%**

20) Personnel expense

Personnel expense totaled 48,398 thousand euro, as follows:

(in thousands of euro)	H1 2018	H1 2017	Change	% change
Wages and salaries	33,807	56,072	(22,265)	-39.7%
Social security contributions	10,608	15,983	(5,375)	-33.6%
Other expense	3,983	7,963	(3,980)	-50.0%
Total	**48,398**	**80,018**	**(31,620)**	**-39.5%**

The decrease was generated largely by the deconsolidation of the BravoSolution group (consolidated line-by-line in the first half of 2017).

The number of employees is shown below:

(headcount)	H1 2018	H1 2017	Change
Number of employees at period end	1,835	2,070	(235)
Average number of employees	1,830	2,070	(240)

The change in the number of employees at the end of the period was largely the result of:
- the deconsolidation of the BravoSolution group, for 672 employees;
- the consolidation of the new companies in the Sirap group, for 302 employees;
- the consolidation of L'Aromatika, for 129 employees.

21) Other operating income and expense

Other operating expense net of other operating income amounted to 23,993 thousand euro, as follows:

(in thousands of euro)	H1 2018	H1 2017	Change	% change
Other taxes	3,543	3,078	465	15.1%
Allowance for impairment	13	215	(202)	-94.0%
Interest expense and other expense for companies in the financial and private equity segment	20,328	9,790	10,538	n.s.
Provision for environmental restoration, other	1,499	1,304	195	15.0%
Miscellaneous income	(2,160)	(3,836)	1,676	-43.7%
Net gains realized on the sale of non-current assets	(936)	(6)	(930)	n.s.
Personnel expense for re-organizations	52	50	2	4.0%
Other net (income) expense	1,654	65	1,589	n.s.
Total	**23,993**	**10,660**	**13,333**	**n.s.**

The increase in "Interest expense and other expense for companies in the financial and private equity segment" arose as a result of higher impairment losses of 6.4 million euro on financial assets measured at fair value through profit or loss and of losses of 3.8 million euro on derivatives.

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

Net finance costs amounted to 830 thousand euro, as follows:

	H1 2018		H1 2017	
(in thousands of euro)	Income	Costs	Income	Costs
Interest income	25		37	
Interest expense		(1,077)		(1,111)
Gains/losses on sale of equity investments	513			
Other finance income	51		12	
Other finance costs		(1,017)		(766)
Total finance income (costs)	**589**	**(2,094)**	**49**	**(1,877)**
Net exchange rate differences	675			(3,258)
Exchange-rate differences and net gains (losses) on derivatives	**675**			**(3,258)**
Total finance income (costs), exchange-rate differences and net gains (losses) on derivatives		**(830)**		**(5,086)**

23) Impairment losses on financial assets

There were no impairment losses on financial assets in the first half of 2018.

24) Income tax

There was a positive income tax posting of 13,751 thousand euro for the first half, as follows:

(in thousands of euro)	H1 2018	H1 2017	Change	% change
Current tax	1,511	2,563	(1,052)	-41.0%
Prior-year tax and other prior-year tax items	490	(1,906)	2,396	n.s.
Deferred tax	(15,752)	1,251	(17,003)	n.s.
Total	**(13,751)**	**1,908**	**(15,659)**	**n.s.**

The change in deferred tax arose from the activation of tax benefits on prior-year tax losses and on deductible temporary differences as a result of the projection of future taxable income from the tax consolidation.

25) Other comprehensive income that might be reclassified to profit or loss subsequently

(in thousands of euro)	Gross amount	Income tax	Net amount
Fair value gains (losses) on:			
Financial assets measured at FVOCI	(103,289)	1,254	(102,035)
Derivatives	(6)	-	(6)
Translation differences	(527)	-	(527)
Other comprehensive income	**(103,822)**	**1,254**	**(102,568)**

As already shown under “Fair value reserve for financial assets measured at FVOCI – attributable to owners of the parent”, the most significant change was the fair value adjustment of -102,035 thousand euro on investees measured at fair value through other comprehensive income (FVOCI).

26) Earnings per share

Earnings per share at June 30 are based on the profit for the period attributable to owners of the parent and shown for ordinary shares.

Basic earnings per share

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

	H1 2018	H1 2017
(n°shares in thousands)	Ordinary shares	Ordinary shares
No. of shares at January 1	47,634	23,817
Treasury shares at January 1	(5,691)	(829)
Stock split		22,990
Weighted average number of treasury shares sold in period	4	(2,312)
Total	**41,947**	**43,666**
Attributable profit in thousands of euro	22,329	2,460

Profit attributable by share category was determined as follows:

	H1 2018	H1 2017
(in thousands of euro)	Ordinary shares	Ordinary shares
Residual profit apportioned to all shares	22,329	2,460
Total	**22,329**	**2,460**

Diluted earnings per share

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

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

	H1 2018	H1 2017
(thousands of shares)	Ordinary shares	Ordinary shares
Weighted average number of shares at June 30	41,947	43,666
Dilutive effect of stock options	137	170
Total	**42,084**	**43,836**
Attributable profit for diluted earnings per share in 000 euro	22,329	2,460
Diluted earnings per share in euro	0.531	0.056

Profit attributable by share category was determined as follows:

	H1 2018	H1 2017
(in thousands of euro)	Ordinary shares	Ordinary shares
Residual profit apportioned to all shares	22,329	2,460
Total	**22,329**	**2,460**

27) Transactions with related parties

Transactions with related parties in the first half of 2018 are detailed in the table below:

(in thousands of euro) Italmobiliare Group	Revenue (expense)	Trade receivables (payables)	Financial assets (liabilities)	Finance income (costs)	Other operating income (expense)
Associates	314	218	13,993	365	
Other related parties					
	(389)	(380)			
Total	**314**	**218**	**13,993**	**365**	
	(389)	**(380)**			
% impact on financial statement items	0.1%	0.2%	3.0%	62.0%	
	0.2%	0.5%			

The comparatives for the first half of 2017 are set out below:

(in thousands of euro) Italmobiliare Group	Revenue (expense)	Trade receivables (payables)	Financial assets (liabilities)	Finance income (costs)	Other operating income (expense)
Associates	5	1,150	4,414	8	
Other related parties					
	(43)	(246)			
Total	**5**	**1,150**	**4,414**	**8**	
	(43)	**(246)**			
% impact on financial statement items	0.0%	1.1%	0.8%	16.3%	
	0.0%	-0.4%			

At June 30, 2018 the item "Other operating expense for other related parties" included amounts of 250 thousand euro paid by Italmobiliare S.p.A. to the Italcementi Cav. Lav. Carlo Pesenti foundation (no payment in the first half of 2017).

Non-recurring transactions

The following tables itemize the most significant non-recurring transactions and their impact on the Group's equity, financial position and results of operations:

(in thousands of euro)	2018 Equity amount	%	Profit (loss) for the period amount	%	Net financial position (debt) amount	%
Carrying amounts	**1,360,753**		**23,932**		**232,663**	
Net gains from the sale of non-current assets	936	0.07%	936	3.91%	112	0.05%
Non-recurring personnel expense for re-organizations	(52)	0.00%	(52)	0.22%	(52)	0.01%
Other non-recurring income (expense)	(1,654)	0.12%	(1,654)	6.91%	(18)	0.01%
Total	**(770)**	**0.06%**	**(770)**	**3.22%**	**42**	**0.02%**
Figurative amount without non-recurring transactions	**1,361,523**		**24,702**		**232,621**	

(in thousands of euro)	2017 Equity amount	%	Profit (loss) for the period amount	%	Net financial position (debt) amount	%
Carrying amounts	**1,236,441**		**2,490**		**377,825**	
Net gains from the sale of non-current assets	6	0.00%	6	0.24%		
Non-recurring personnel expense for re-organizations	(50)	0.00%	(50)	2.01%	(50)	0.01%
Other non-recurring income (expense)	(65)	0.01%	(65)	2.61%		
Total	**(109)**	**0.01%**	**(109)**	**4.38%**	**(50)**	**0.02%**
Figurative amount without non-recurring transactions	**1,236,550**		**2,599**		**377,875**	

Events after the reporting date

Events after the reporting date are illustrated in the specific sections of the Directors' Report.

Milan, July 31, 2018

for the Board of Directors
The Chief Executive Officer

Statement pursuant to art. 154-bis paragraph 5 of the Italian Consolidated Finance Act (TUF) regarding the condensed interim consolidated financial statements pursuant to art. 81-ter of the Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions

1. The undersigned Carlo Pesenti, Chief Executive Officer, and Mauro Torri, Manager in charge of financial reporting of Italmobiliare S.p.A., hereby declare, also in consideration of art. 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of February 24, 1998:

   - the adequacy in relation to the characteristics of the company and
   - the actual application

   of the administrative and accounting procedures adopted for the preparation of the **condensed interim consolidated financial statements**, during the period from January 1, 2018 to June 30, 2018.

2. The assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the condensed interim consolidated financial statements as at and for the six months ended June 30, 2018 is based on a model identified by Italmobiliare in accordance with the CoSO framework (illustrated in the *CoSO Report*) and also takes into account the document "*Internal Control over Financial Reporting – Guidance for Smaller Public Companies*", both issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represent a generally accepted international framework.

3. It is also declared that:

   3.1 the condensed interim consolidated financial statements as at and for the six months ended June 30, 2018:

   a) were prepared in compliance with the applicable international financial reporting standards recognized by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of July 19, 2002;

   b) correspond to the accounting books and accounting entries;

   c) are suitable to provide a true and fair view of the financial position, results of operations and cash flows of Italmobiliare S.p.A. and the companies included in the scope of consolidation.

   3.2 the interim directors' report includes a reliable analysis of the significant events that took place in the first six months of the year and their impact on the condensed interim consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim directors' report also includes a reliable analysis of information on material transactions with related parties.

July 31, 2018

Chief Executive Officer	Manager in charge of financial reporting
Carlo Pesenti	*Mauro Torri*

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
Italmobiliare S.p.A.

Introduction

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

Scope of review

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

Conclusion

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

Milan, 3 August 2018

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director

August 2018
Project of LSVmultimedia
Olginate - Lecco